



潤隆建設股份有限公司

RUN LONG CONSTRUCTION CO., LTD.

2022

Annual Report

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- Company website: <http://www.runlong.com.tw>

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I. Letter to the Shareholders

Dear Shareholders,

Thank you all for being here with us. On behalf of Run Long, I would like to express my sincere gratitude for your support over the past year!

The housing market in 2022, which was originally very bullish, has turned out to be less than expected. With the impact of external factors such as the continued rise in interest rates, the collapse of the stock market, the military exercises around Taiwan and the “nine-in-one” election campaign, people's confidence and willingness to buy a house was affected. In 2022, the volume for real estate transactions throughout Taiwan was approximately 318,000 buildings, with a decrease of approximately 30,000 buildings of 8.6% compared to 2021, dropped to a new low in the past three years.

Although the housing market in Taiwan is facing negative factors such as inflation, tight financing for construction, financial market shocks and the “approval after three readings” of the amendments to the Equalization of Land Rights Act in 2022, the cost of construction has fallen from a high level and the increase in costs has already peaked, which is more pleasing to builders. In addition, Taiwan's employment market is stable, with an unemployment rate of less than 3% for those aged 35 to 50, and salary levels are also increasing. For the public, real estate is still a relatively stable investment.

Looking ahead to 2023, the impact of the COVID-19 epidemic will be lessened and each country will begin to open up, which will help international tourism to recover. However, the cycle of interest rate rises in the U.S. is not yet over, which could slow global economic growth or even cause a recession. Moreover, international geopolitical risks remain high, so it is imperative to avoid any erroneous decisions. The Group expects that in 2023, inflation and interest rate rises will remain the most uncertain factors affecting the housing market, but due to Taiwan's relatively low CPI growth, the impact on Taiwan is relatively small. With the rise in costs and salaries, the housing market is expected to see "stable prices with moderate growth". Based on the estimation of the average salary and the ratio of mortgage income in Taiwan, the Group considers that the houses in the price range of NT\$ 6.5 million to NT\$ 14 million are under the rigid demand of the general public, and will take this as the reference for project promotion.

In 2023, Run Long will continue to plan for products such as “small house”, “small two-bedroom apartment”, and “house with 2 bedrooms+1 living room” that have good locations and low total prices. For first-time home buyers, the impact of interest rate hikes is relatively limited due to the low purchase price of the property. In addition, the volatility of the stock market and inflationary pressures highlight the value preservation feature of real

estate. The decline in birth rate and average household size has increased the demand for housing, while the required area for housing has decreased. This trend has led people to favor two to three-bedroom houses.

In recent years, Run Long has been actively launching cases in major cities in northern, central, and southern Taiwan. In 2022, we launched the “Dream City” in Keelung and the “Jing'an Wenhui” in New Taipei City and the “VVS1” in Taichung, which all witnessed excellent performance. And actively sell "Taichung Dibao" in Taichung...etc remaining unsold units.

In 2023, we will strive to sales our remaining houses while focusing on apartments for first-time home buyers and those who wish to replace their homes. At present, the projects we are planning and expecting to launch are mainly located in De'an EF (Keelung), Wanfang in Wenshan (Taipei), Shanjie in Guishan (Taoyuan), and Run Long Park Hyatt (Tainan) ect.

Finally, I would like to thank all of our colleagues for their efforts. With the completion and handover of the “Shihengbin-Ueno District” and the “Shihengbin-Hoshino District” in Keelung in From December 2023, and projects due to be completed and handed over to the owners in 2023, including and the “Dream City” in Keelung and the “National Central City” in Taoyuan and the “Juke Run Long” in Hsinchu and the “Shuhoyuan” in Kaohsiung etc, under the intensive sprint of completed house delivery and account entry, the Company's revenue grew remarkably throughout the year. In the future, we will continue to uphold our management principle of a pragmatic and steady business approach, to maintain stable revenue while at the same time pursuing regular profitability for our shareholders.

The operating results of 2022 and the business outlook of 2023 are reported as follows:

1. Operating results of the previous year

(I) Implementation result of the 2022 business plan:

- (1) In 2022, the Company's consolidated net operating revenue totaled NT\$2,485,724 thousand, a decrease of NT\$7,993,543 thousand from NT\$10,479,267 thousand in 2021.
- (2) In 2022, the Company's consolidated net income before tax totaled NT\$233,069 thousand, a decrease of NT\$1,827,132 thousand from NT\$2,060,201 thousand in 2021.
- (3) To sum up, the revenue and net income before tax for 2022 decrease compared with 2021, mainly due to the decrease in both the construction revenue and the sales of remaining unsold units of the Company's newly completed construction projects recognized for 2022 compared with 2021.

(II) Budget implementation status:

In accordance with the “Regulations Governing the Publication of Financial Forecasts of Public Companies,” it is not necessary for the Company to prepare financial forecasting for 2022.

(III) Analysis of financial income and expense and profitability:

(Expressed in Thousands of New Taiwan Dollar)

Item		Year	2022	2021
Financial income and expenses	Net operating income		2,485,724	10,479,267
	Gross profit from operations		812,617	2,738,473
	Profit after tax		156,636	1,671,830
Solvency	Current ratio (%)		134.88	145.80
	Quick ratio (%)		23.88	32.88
Profitability	Return on assets (%)		1.47	5.33
	Return on equity (%)		2.46	28.46
	Operating profit to paid-in capital ratio (%)		4.86	53.29
	Pre-tax net profit to paid-in capital ratio (%)		5.16	52.52
	Net profit rate (%)		6.30	15.95
	Earnings per share(NT\$)		0.35	4.26

Note: Consolidated information of the Company and its subsidiaries.

(IV) Status of research and development:

(1) Architectural planning and design:

- ①The residential building is designed for first-time buyers and home exchangers. In terms of design space, the apartments are divided into 2 or 3 rooms using safe and healthy building materials. We value the needs of users in a bid to achieve both aesthetics and practicality.
- ②We will work with famous architectural teams at home and abroad and learn from international teams’ experience to improve the four major know-hows of flow planning, space design, delicate construction techniques, and hotel butler service; then, launch building products that are more in alignment with customers’ needs and even beyond their expectations.
- ③Starting from consumer demand and practicality, the company considers practicality as the main focus and combines "green building" and "environmental protection and energy saving." The company also emphasizes digital technology, earthquake resistance, safety, and age-friendly housing to meet the rapidly changing market demands.

- ④In the design and planning stages, the visual communication platform of the 3D modeling software "Building Information Modeling" (BIM) is used. By taking this approach, we can facilitate horizontal and vertical communication, coordination and integration among design, construction and user units to improve efficiency as well as quality.
- ⑤Due to the effects of the pandemic outbreak, “epidemic-proof building materials” are the trend for future projects. Public spaces and homes will be upgraded with epidemic-proof building materials.

(2) Construction and management:

- ①The 3D modeling software “BIM” will be used to review the project interface, resolve conflicts to achieve accurate construction standards, and improve deficiencies of traditional construction management, reducing overall construction costs.
- ②As there is a shortage of manpower for traditional technology, we will do our utmost to research and develop methods or adjust the process to reduce the traditional wet construction mode so as to decrease environmental pollution (e.g. the possibility to grout wall tiles instead of reinforced concrete walls, dry flooring instead of floor tiles, etc.).
- ③We will adopt aluminum molds for structural systems, reduce the cost of material damage, increase the number of replacements, and effectively reduce the number of construction workers to accelerate the construction progress and reduce the cost.
- ④We will research and develop and test the pre-assembly approach for structural beams and columns and implement the complicated steel bar fastening procedure in the processing plant to avoid weather problems and check the quality first; as such, we can assemble them on-site, to reduce the floating time caused by overlapping of many tasks, to effectively control the progress.
- ⑤The improvement in the quality of the inspected houses and the guidance provided by professional personnel during the inspection and delivery process, coupled with proactive testing of facilities, fosters trust and satisfaction of customers in our company, leading us towards achieving 100% customer satisfaction in house delivery.

(3)Market research and development:

- ①The Group’s official “House Appreciate Platform” has been launched with the website divided into sections including "Market Pulse", "Proposal Hotspots", "Fashion Taste", "Architecture School", "Group Brand" and "Event Zone". We provide information on the Group's latest projects in Taiwan so that consumers can get hold of the latest information and services available.
- ②We will continue to operate in the mainstream residential building market, focusing on homeownership and home exchange needs to meet the market demand. We will also strive to improve our after-sales services and quality control processes to gain

recognition from home buyers and increase our brand awareness.

③In response to the era of digital community, the Company has launched online issue-specific digital videos. By integrating our brand principles into the videos, we can capture the hearts and minds of home buyers while gaining recognition from target consumers.

④Form an alliance with life insurance funds to create new innovative business asset management and operation models.

2. Summary of the operating plans for the current year

(I) Operating Policy

1. Continue to plan high-quality products with precise positioning and flexible sales strategies to meet customer needs.
2. Ensure the quality of each construction project with a system combining construction and building.
3. The proposal mainly focuses on Type 2~3 real estate, to satisfy regional future needs for personal living and first purchase.
4. Give full play to the functions of design material selection and construction management to achieve the objectives of product refinement, cost control and shortening of the construction period.
5. Perfect after-sales service to increase customers' trust in the Company, enhance the Company's future sales performance, and establish brand image and reputation.
6. Constantly explore possibilities for developing different types of land. Actively expand and reserve high-quality plots and land resources. Draft competitive plans for development.

(II) Forecasted sales volume and the basis

1. Projects expected to be completed and under construction this year:

The projects expected to be completed this year include "Dream City" in Keelung, "National Central City" in Taoyuan, "Juke Run Long" in Hsinchu, and "Shuhoyuan" in KaoHsiung. The projects under construction include "Jing'an Wenhui" in New Taipei City, "Shicheng Aiyue" and "VVS1" in Taichung... etc.

2. New projects expected in this year:

"Shanjie in Guishan" in Taoyuan and "Run Long Park Hyatt" in Tainan... etc.

3. Other remaining units for sale include "Shihengbin-Ueno District", "Shihengbin-Hoshino District" in Keelung, New Taipei City; "Bokelai Park" in Banqiao, New Taipei City; "Kuobin Kuandi" in Neihu, Taipei City, "Taichung Dibao" and "NTC National Trading Center" in Taichung, and "Wenhua Run Long" in Kaohsiung; the goal is to eliminate all the remaining units.

(III) Important production and marketing policies

1. In terms of product planning, the main products are self-occupied units for first-time buyers and home replacement buyers. The planning and construction of individual projects will be strengthened based on the location of each individual project, in order to establish brand continuity and increase customers' willingness to change or purchase homes.
 2. Establish appropriate pricing, sales channels and advertisement strategies pertinent to the characteristics of products, supervise the meeting of the targets of each sales scheme and closely monitor market trends to allow flexible adjustment, in order to facilitate project development and maximize performance.
 3. Product features tend to be diversified, increasing requirements for smart buildings, humanized residences, green buildings, environmental protection, barrier-free spaces, and medical care.
 4. A 100% invested subsidiary (Chin Chun Construction Co., Ltd.) may effectively supervise the quality of projects, control the construction progress, handle the construction costs, and continue to pursue novel high-tech, high-efficiency technologies, enrich professional knowledge, and strive for quality and service improvement.
 5. The product positioning and construction planning of projects that are yet to be developed must be responsive to the demand in the housing market and changes in the economic environment. The Company shall seek to meet its targets for improving its products, services, safety and active development.
 6. Adopt the principle of healthy and steady operations. In light of market prospects, perform pre-sales or sell houses while constructing them, or sell them after construction. Launch and sell the houses when appropriate.
3. Future development strategies, impact posed by external competition, the regulatory environment and the overall business environment

(I) Impact posed by external competition and the regulatory environment

In the past four years, Taiwan-US interest rate spread has been subject to remarkable changes due to the China-US trade war, and return policies have been adopted for Taiwanese traders. Thus, New Taiwan dollars have appreciated and hot money is in excess. However, the short-term price has increased drastically to an extent unacceptable by the government in the real estate market, so both the Federal Reserve and the Central Bank have entered the cycle for raising interest rate. The governments have successively launched policies against real estate accumulation from the Loan Restriction issued at the beginning of this year that caused a drastic decline in financing limit to the amendment to the Equalization of Land Rights Act enacted on January, 2023. As a consequence, this year, the real estate market has witnessed “decreased land transactions, prudent commercial transactions and fluctuating housing transactions”.

Therefore, diverse policies are supposed to be adopted for house development, in order to decentralize risks. For instance, diverse products by increasing investments in commercial and industrial real estate, or cooperate with landlords, brands or public sectors to perform land development. In addition, “net-zero transition” has become a global trend of industrial development. ESG, a sustainable architectural concept, has become an important condition for multinational enterprises’ site selection and evaluation. With low-energy designs, new offices are built with low-carbon or carbon sequestering materials. It is prevalent to introduce energy-saving concepts into the offices, and planning flexible working space has gradually turned into a mainstream trend.

(II) The impact of the overall business environment

It is a hard year in 2022 when the whole world is confronted with recurrent COVID-19, soaring commodity prices, wars, climatic changes, raised interest rates of global central banks and other adverse factors, which have directly and apparently affected people’s confidence and willingness to buy houses. The transaction volume of houses has declined on a quarterly basis. This forms a contrast with the past two years’ prosperous real estate market which witnessed an increase in both house prices and transactions.

The prosperity of the real estate market has consistently relied upon its fundamentals and technology cycles. In the present market, inelastic demands are mainstream. In fact, people who have inelastic demands for personal living have not been significantly impacted. Besides, people who intend to replace their houses, the second generation and the first time buyers still have a demand for buying houses. Low total price, low down payment, low installment, small area, and long delivery period are expected to be mainstream for planning sales in future market competitions.

In 2022, commercial real estate still maintains relatively high water mark, mainly because of the following three major factors. Firstly, the demands for construction and expansion have been driven by industrial upgrading. The enterprises actively look for land, especially those of industrial parks and special production zones with cluster benefits, which are eligible for improving planning of industrial parks. All these are considerations of enterprise owners when they make decisions on making investments in factory establishment. Secondly, present enterprises mostly uphold separating factories from offices, and choose to set up their offices or service outlets downtown. Thirdly, some enterprises look for relatively new office buildings mainly considering that their existing office spaces are old, which increases the demands for replacing offices with new ones and encourages construction companies to invest in the development of commercial office products.

(III) Future company development strategies

In recent years, in addition to continuing to sell existing homes across Taiwan, the company has continued to be optimistic and committed to finding places with greater rigid demand across Taiwan and launching suitable products. Currently, online cases such

as "Shihengbin" in Zhongshan District, Keelung City, In addition to the "Jing'an Wenhui" Zhonghe District of New Taipei City, the "National Central City" in Zhongli District of Taoyuan City, the "Shicheng Aiyue" and "VVS1" in Xitun District of Taichung City, and the "Shuhoyuan" in Sanmin District of Kaohsiung City, we are more actively looking for areas with strong demand for self-use to purchase land for development.

At present, the company is optimistic about emerging areas, such as Wenshan District in Taipei City, Guishan District in Taoyuan City, and Anping District in Tainan City. The Company will successively obtain construction permits and prepare to launch pre-sales. The needs of first-time buyers and petty bourgeoisie are the main axes of planning.

In the future, the Company will continue to purchase high-quality land for diversified development. The Company will target all of Taiwan to find potential areas for development, and launch high-quality products that meet market trends to increase the Company's market share.

Chairperson:



Managerial Officer:



Head of Accounting:



II. Company Profile

1. Date of Establishment: January 10, 1977

2. Company History

The Company was established in January 1977 pursuant to laws, and the shares were approved to be listed by the Taiwan Stock Exchange on August 3, 1994. The Company originally engaged in manufacturing, processing and trading of various ceramics, tiles, mosaics and artistic porcelain as its main business. Later, it successively developed the manufacturing and sales of industrial plastic products and communication engineering services. Since 2002, the Company has been actively transitioning into the environmental protection technology business, mainly engaging in the improvement and development of the treatment of incinerator bottom slag and its reuse. In 2004, the Company also ventured into real estate development and added the business of building residences by contracting to construction companies, and the lease and sale of commercial buildings. Major events in recent years are as follows:

Year	Important Event Description
2004	January: Since transitioning into the environmental protection technology business and the technologies and performance have become stabilized, to cope with the domestic real estate boom, the Company entered into the construction business and purchased lands in the Ankeng Section of Xindian City, Taipei County, for investing in the construction of real estate for sale, as the new area for the overall operating goal.
	April: The general shareholder meeting resolved to change Company name from Guobin Ceramics Industry Co., Ltd. to Guobin Dadi Environmental Protection Enterprise Co., Ltd., and the approval letter for the Company's name change registration was obtained on April 20.
	April: The general shareholder meeting resolved to decrease the capital by NT\$300 million to offset the accumulated losses; meanwhile, a capital increase of NT\$300 million was conducted by private placement. It was approved by the Securities and Futures Commission on June 16. The paid-in capital became NT\$600 million after the capital decrease and increase through private placement.
	August: The Company moved from the 7F, No. 170, Nanjing E. Road, Sec 4, Taipei City, to 10F, No. 67, Guangfu S. Road, Taipei City. On August 18, it obtained the approval letter for the location change registration.
2005	November: The Environmental Technology Business and the Environmental Protection Department of the Taipei County Government signed the "Commissioned Treatment Program for Recycling of Bottom Slag".

Year	Important Event Description
2006	June: the AGM resolved to transfer surplus to increase capital by NT\$49.8 million; after the capital increase, the paid-in capital became NT\$649.8 million.
2007	June: The general shareholder meeting resolved to transfer surplus to increase capital by NT\$162.45 million; after the capital increase, the paid-in capital became NT\$812.25 million.
2008	June: The Company moved from 10F, No. 67 Guangfu S. Road, Taipei City, to 6F, No. 207-1, Sec 3, Beixin Road, Xindian District, New Taipei City. On June 27, the Company obtained the approval letter for the location change registration.
	June: The general shareholder meeting resolved to transfer surplus and employees' bonuses to increase capital by NT\$163.75 million; after the capital increase, the paid-in capital became NT\$976 million.
2009	June: The general shareholder meeting resolved to transfer surplus to increase capital by NT\$156.16 million; after the capital increase, the paid-in capital became NT\$1,132.16 million.
2010	June: The general shareholder meeting resolved to transfer surplus to increase capital by NT\$226.432 million; after the capital increase, the paid-in capital became NT\$1,358.592 million.
	June: 100% of the shares of the parent company Kauang Yang Investment Co., Ltd. were acquired by ChyiYuh Construction Co., Ltd.
	July: The Company moved from 6F, No. 207-1, Sec 3, Beixin Road, Xindian District, New Taipei City, to No. 220, Dechang St., Yingge District, New Taipei City. On July 15, the Company obtained the approval letter for the location change registration.
2011	January: The first batch of domestic secured convertible corporate bonds was issued for NT\$600 million.
	June: The general shareholder meeting resolved to rename the Company from Guobin Dadi Environmental Protection Enterprise Co., Ltd. to Run Long Construction Co., Ltd. On June 20, the Company obtained the approval letter for the Company's name change registration.
	October: The second batch of domestic secured convertible corporate bonds was issued for NT\$1 billion.
2012	January: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,364,844,040.

Year	Important Event Description
2012	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,422,325,180.
	July: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,437,237,120.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,446,006,430.
2013	January: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,446,342,980.
	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,446,991,390.
	September: The third batch of domestic secured convertible corporate bonds was issued for NT\$1.5 billion.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,765,970,150.
2014	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,770,088,750.
	July: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,773,809,370.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,850,088,640.
	December: The Board of Directors resolved to increase capital in cash through issuing 30,000,000 common shares with a face value NT\$10 per share for a total of NT\$300,000,000.
2015	March: Through the issuance of common shares for capital increase in cash, the paid-up capital registration approved by the MOEA was increased to NT\$2,150,088,640.

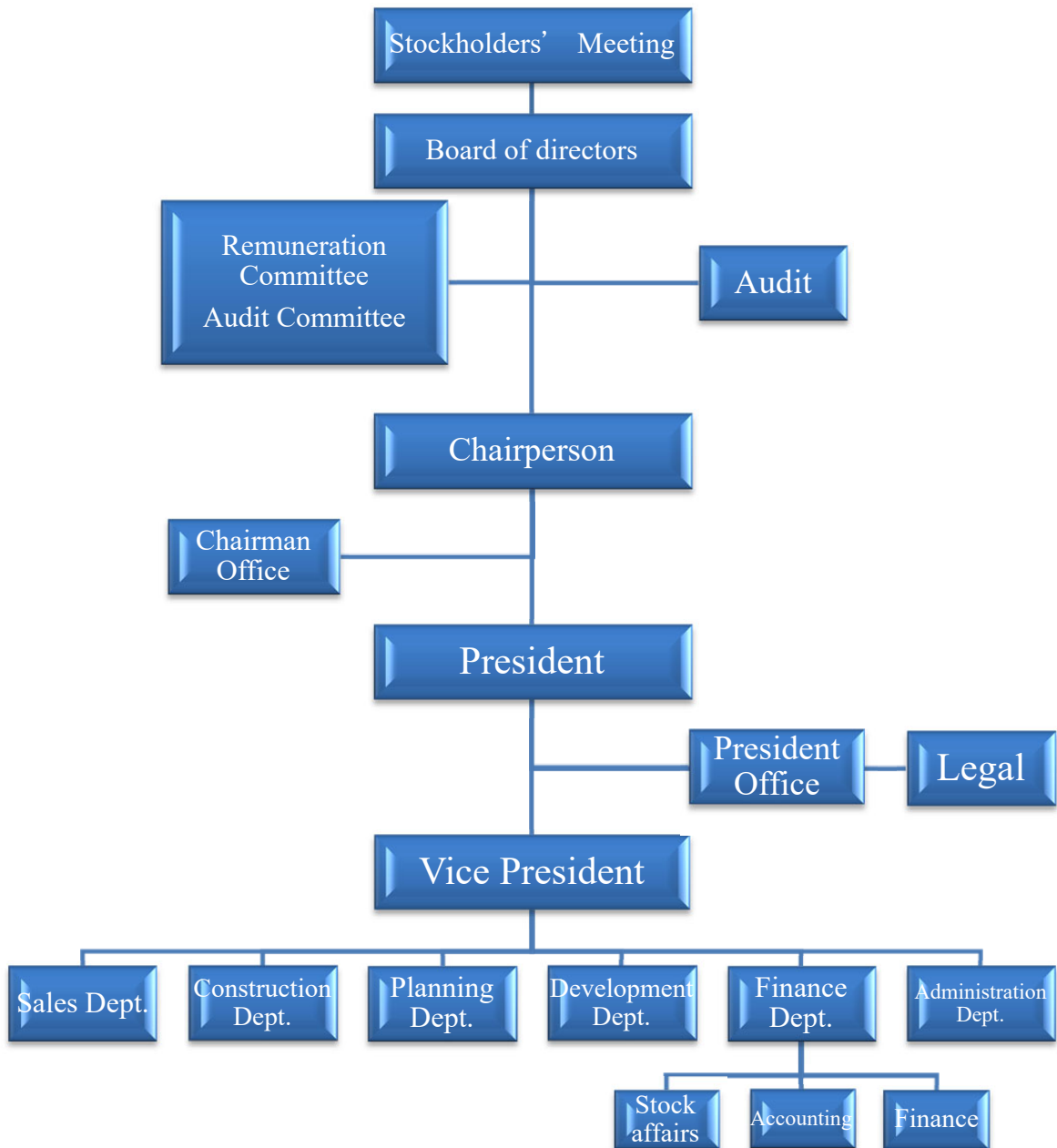
Year	Important Event Description
2015	August: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,150,261,950.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,158,501,990.
2016	January: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,331,848,740.
	May: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,334,945,740.
	July: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,345,579,950.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,368,473,450.
2017	January: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,376,663,000.
	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,433,559,040.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,434,044,460.
2018	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,444,724,050.
	July: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,445,015,310.

Year	Important Event Description
2018	September: Acquired 100% stake of Jin Jyun Construction Co., Ltd., a subsidiary of Highwealth Construction Corporation.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$3,083,305,310.
2019	February: Dissolved the Environmental Technology Business Division.
	September: Disposed the lands and buildings of the Environmental Technology plants at Dechang Section, Yingge District.
2020	October: The shareholder meeting resolved to transfer the surplus and capital reserve for capital increase of NT\$616,661,060; the capital became NT\$3,699,966,370 after the capital increase.
2021	October: The shareholder meeting resolved to transfer the surplus and capital reserve for capital increase of NT\$222,000,000; the capital became NT\$3,921,966,370 after the capital increase.
2022	October: The shareholder meeting resolved to transfer the surplus for capital increase of NT\$588,294,960; the capital became NT\$4,510,261,330 after the capital increase.

III. Corporate Governance Report

1. Organization System

(I) Organizational Structure



(II) Major tasks of the functional committees under the Board of Directors

Functional committee	Major Tasks
Remuneration Committee	Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers. Evaluate and establish the remuneration of directors and managerial officers regularly.
Audit Committee	Establish or amend the internal control system pursuant to Article 14-1 of the Securities Exchange Act. Assessment of the effectiveness of the Company's internal control system. Establish or amend handling procedures for financial or operational actions of material significance pursuant to Article 36-1 of the Securities and Exchange Act, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others. Review matters bearing on the personal interest of directors. Review transactions involving material assets or derivatives. Review material loaning of funds, endorsements, or provisions of guarantees. Review the offering, issuance, or private placement of any equity-type securities. Evaluate and approve the hiring, dismissal or remuneration of an attesting certified public accountant. Appoint or dismiss financial, accounting, or internal auditing officers. Review the financial statements of the year. Any other material matter so determined by the competent authority.

(III) Work Description of Major Departments

Departments	Functions
Chairperson Office	<p>The formulation of the Company's long-term business development strategies.</p> <p>Supervising and verifying the effectiveness of the operation and execution of each business division.</p> <p>Planning and executing the operating strategies of each business division.</p> <p>Implementing resolutions of the Board of Directors</p>
Company Governance Executives	<p>As the top executive of corporate governance affairs, he is responsible for strengthening the corporate governance structure and promoting the planning and execution of corporate governance related businesses.</p>
Audit	<p>Assisting management to formulate the design and planning of the internal control system.</p> <p>Implementing the execution and evaluation of the internal control system.</p> <p>Auditing execution and report preparation, and auditing deficiencies and tracking the follow-up improvements.</p> <p>Assisting in the implementation of internal control self-evaluation in various departments.</p> <p>Submitting audit reports and explanations to the Board of Directors, the Audit Committee, and independent directors periodically.</p>
President Office	<p>Drafting of the Company's mid- and short-term business objectives, guidelines, and implementation policies.</p> <p>Integrating Company-wide regulations and comprehensive planning.</p> <p>The vertical and horizontal integration of the Company's various departments.</p> <p>Developing and planning of the Company's organization.</p> <p>Responsible for supervising the operating performance of each business division.</p> <p>Planning and implementing of public relations activities and media liaison related affairs.</p>
President Office Legal	<p>Compiling the contents of the agreements, litigation documents and correspondence.</p> <p>Contract document reviewing, collection of laws and regulations, research on legal issues, collection of data, and filing.</p>
Sales Dept.	<p>Responsible for market evaluation, selection of sales agencies, marketing planning, pre-sale execution, signing contracts with customer and collecting payments, handover and title transfer operations, convening management committee meeting, and customer consultation and services.</p>
Construction Dept.	<p>Responsible for various project evaluations, construction monitoring, material acceptance, project outsourcing cost control, construction period control, quality control and after-sales warranty services.</p>

Departments		Functions
Planning Dept.		Coordinating architectural designs of projects, product planning and permit applications, etc.
Development Dept.		Land development strategy recommendations and investment analysis and research, and environmental information collection. Comprehensive management of land purchases, joint venture land case signing, payment, transfer, tax payment and other matters.
Finance Department	Finance	Funds deployment, financial analysis, receipts and payments, cashier and bank transaction processing.
	Accounting	General accounting matters; recording and review of related accounting documents; preparation, analysis and presentation of accounting statements and settlement accounts; taxation handling; annual budget preparation.
	Stock affairs	Various stock affair operations. Responsible for the preparation of meetings of the Board of Directors and functional committees, agenda administration, and related resources or assistance required for performing duties. Responsible for the planning and preparation of the shareholder meetings and related agenda operations. Assisting in the planning and execution of information disclosure operations. Assisting in planning matters related to corporate governance.
Administration Dept.		Planning the individual business of each department according to the work objectives and guidelines of the Company to reach the Company's mission requirements. Coordination of various computerization schedules and effects, recommendation and signing of various operation plans. Planning, design, management and security maintenance of soft-and hardware equipment. Responsible for manpower needs, personnel recruitment, salary, assessment, welfare and education and training. Responsible for the management of general affairs and service supplies.

2. Information of directors, supervisors, president, vice presidents, associates, department and branch directors

(I) Information of Directors and Supervisors

April 15, 2023

Job Title	Nationality/Place of Incorporation	Name	Gender	Age	Date Effective	Term (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remarks (Note 1)
								Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio	Stock Number	Holding shares ratio			Job Title	Name	Relationship	
Institutional Director	Republic of China	Da-Li Investment Co., Ltd			2021.08.16	Three years	2012.06.10	14,485,821	3.91	17,663,965	3.92	0	0	0	0	—	—	—	—	—	
Representative of Institutional Director	Republic of China	Tsai, Chung-Ping (Note 2)	M	50-60	2021.08.16	Not applicable.	Not applicable.	Not applicable.	Not applicable.	14,358	0	182,850	0.04	0	0	College of Business, National Taichung University of Science and Technology Chairperson of Run Long Construction Co., Ltd.	Consultant of Run Long Construction Co., Ltd. Chairperson of Da Li Investment Co., Ltd.	None	None	None	
Representative of Institutional Director	Republic of China	Lin, Wei-Chum (Note 2)	M	50-60	2021.08.16	Not applicable.	Not applicable.	Not applicable.	Not applicable.	0	0	0	0	0	0	Department of Applied English, Ming Chuan University Department of Construction Engineering, Chung Hua University Manager of Development Department of Run Long Construction Co., Ltd.	President of Run Long Construction Co., Ltd.	None	None	None	
Institutional Director	Republic of China	Kaung Yang Investment Co., Ltd.			2021.08.16	Three years	1999.07.19	20,792,415	5.62	28,759,103	6.37	0	0	0	0	—	—	—	—	—	
Representative of Institutional Director	Republic of China	Chiu, Ping-Tse (Note 2)	M	50-60	2021.08.16	Not applicable.	Not applicable.	Not applicable.	Not applicable.	0	0	0	0	0	0	Civil Engineering Institute, National Taiwan University President of Run Long Construction Co., Ltd. Chairperson of Jin Jyun Construction Co., Ltd.	Chairperson of Run Long Construction Co., Ltd.	None	None	None	
Representative of Institutional Director	Republic of China	Cheng, Chiao-Wen	F	30-40	2021.08.16	Not applicable.	Not applicable.	Not applicable.	Not applicable.	0	0	0	0	0	0	Pratt Institute Real Estate Development	Director of Feng-Rao Investment Co., Ltd.	None	None	None	

Job Title	Nationality/Place of Incorporation	Name	Gender Age	Date Effective	Term (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remarks (Note 1)
							Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio			Job Title	Name	Relationship	
Representative of Institutional Director	Republic of China	Chen, Kuo-Yen	M 50-60	2021.08.16	Not applicable.	Not applicable.	Not applicable.	Not applicable.	80,000	0.02	493,695	0.11	0	0	National Taipei University of Technology Industrial Design Department Vice Chairperson of ChyiYuh Construction Co., Ltd. Consultant of Highwealth Construction Co., Ltd.	Consultant of ChyiYuh Construction Co., Ltd.	None	None	None	
Independent Director	Republic of China	Yen, Yun-Chi	M 60-70	2021.08.16	Three years	2015.06.11	0	0	0	0	0	0	0	0	China University of Technology Department of Public Health	Chairperson of Tungyue Advertising Co., Ltd.	None	None	None	
Independent Director	Republic of China	Li, Wen-cheng	M 70-80	2021.08.16	Three years	2016.06.13	0	0	0	0	0	0	0	0	Central Police University Judge and Presiding Judge of Taiwan High Court	Independent Director of Highwealth Construction Co., Ltd.	None	None	None	
Independent Director	Republic of China	Chen, Yung-chang	M 60-70	2021.08.16	Three years	2021.08.16	0	0	0	0	0	0	0	0	National Taiwan University Department of Law Judge of Taiwan High Court	Attorney of All-Pro Law Firm Representative of corporate director of Flexium Interconnect Inc. Independent Director of LandMark Optoelectronics Corporation Independent Director of Center Ventures Independent Director of Collins Co. Ltd. Consultant of MasterLink Securities Corporation	None	None	None	

Note 1: Where the chairperson and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness and necessity thereof, and the measures adopted in response thereto (such as increasing the seats of independent directors, with the majority of directors not concurrently serving as employees or managerial officers).

Note 2: As a corporate shareholder, Da-Li Investment Co., Ltd appointed Lin, Wei-Chum to act as representative and director in place of Tsai, Chung-Ping on April 10, 2023. As a result, Tsai, Chung-Ping was removed from the post as Chairperson. At the meeting of the Board of Directors on April 10, 2023, Chiu, Ping-Tse was elected to be the Chairperson. To distinguish powers of the Chairperson and the President, manager Lin, Wei-Chum was promoted as the President from April 10, 2023.

Table 1: Major shareholders of legal person shareholders

April 15, 2023

Name of Legal Person Shareholder	Major shareholders of institutional shareholder	
	Name of shareholder	Shareholding ratio
Da-Li Investment Co., Ltd	Tsai, Chung-Ping	47.93%
	Huang, Ching-Shui	29.76%
	Cheng, Jun-Fang	14.18%
Kaung Yang Investment Co., Ltd.	ChyiYuh Construction Co., Ltd.	100.00%

Table 2: The major shareholders of Table 1 the major shareholders of legal persons

April 15, 2023

Legal Person Name	Legal Person's Major shareholders	
	Name of shareholder	Shareholding ratio
ChyiYuh Construction Co., Ltd.	Highwealth Construction Co., Ltd	100.00%

Information of Directors and Supervisors (II)

1. The Disclosure of Directors Professional Qualification and Independent Directors Independence

April 15, 2023

Qualification Name	Professional Qualifications and Experience	Independence Situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Tsai, Chung-Ping (Note 1)	<ul style="list-style-type: none"> ■ Representative of Institutional Director/ Chairperson ■ Have more than 5 years of rich leadership experience in the construction industry and construction industry, and have a full range of administrative practice experience in various businesses of the company ■ Primary current position Consultant of Run Long Construction Co., Ltd. Chairperson of Da Li Investment Co., Ltd. ■ None of the provisions of Article 30 of the Company Act. 	Not applicable.	0
Lin, Wei-Chum (Note 1)	<ul style="list-style-type: none"> ■ Representative of Institutional Director/ President ■ Have more than 5 years of rich leadership experience in the construction industry and construction industry, and have a full range of administrative practice experience in various businesses of the company ■ Primary current position President of Run Long Construction Corporation. ■ None of the provisions of Article 30 of the Company Act. 	Not applicable.	0
Chiu, Ping-Tse (Note 1)	<ul style="list-style-type: none"> ■ Representative of Institutional Director/ Chairperson ■ Have more than 5 years of rich leadership experience in the construction industry and construction industry, and have a full range of administrative practice experience in various businesses of the company ■ Primary current position Chairperson of Run Long Construction Corporation. ■ None of the provisions of Article 30 of the Company Act. 	Not applicable.	0
Cheng Chiao-Wen	<ul style="list-style-type: none"> ■ Representative of Institutional Director ■ With more than 5 years of construction planning, sales industry-related business background, both professional and practical ■ Primary current position Director of Feng-Rao Investment Co., Ltd. ■ None of the provisions of Article 30 of the Company Act. 	Not applicable.	0

Qualification Name	Professional Qualifications and Experience	Independence Situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chen, Kuo-Yen	<ul style="list-style-type: none"> ■ Representative of Institutional Director ■ Have more than 5 years of rich experience in engineering construction industry leadership, and have business experience ■ Primary current position Consultant of ChyiYuh Construction Co., Ltd. ■ None of the provisions of Article 30 of the Company Act. 	Not applicable.	0
Yen, Yun-Chi	<ul style="list-style-type: none"> ■ Independent director / member of Remuneration Committee / member of Audit Committee ■ With more than 5 years of profound construction and sales industry-related business background, and rich practical experience in business and accounting ■ Primary current position Chairperson of Tungyue Advertising Co., Ltd. ■ None of the provisions of Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. The daughter of independent director Yan, Yun-qi has been employed by the company since January 1, 2022, but is not the manager of the company, so it is comply with the “Regulations Governing Appointment of Independent Directors Compliance Matters for Public Companies”. 2. The person, the spouse, the relatives within the second degree of relatives do not hold the number of shares in the company. 3. Independent directors maintain their independence within the scope of their business execution, and must not have direct or indirect interests with the company, in the two years before the election and during the term of office, there is no circumstance specified in Article 3 of the "Regulations Governing Appointment of Independent Directors Compliance Matters for Public Companies". 4. The person has not provided business, legal, financial, accounting and other services to the Company or its affiliated companies for the last 2 years and received compensation. 	0

Qualification Name	Professional Qualifications and Experience	Independence Situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Li, Wen-Cheng	<ul style="list-style-type: none"> ■ Independent director / Remuneration Committee Convener / Audit Committee Convener ■ Retired judge (retired from Taiwan High Court in 2006), qualified as judge and lawyer for more than 5 years, and has rich experience in legal affairs ■ Past Experience President of Taiwan High Court President of Hualien Local Court President of Taitung Local Court President of Penghu Local Court His legal expertise covers administrative law, fair trade law, mass communication law, commercial litigation, criminal litigation, intellectual property litigation, etc. The company expects to rely on his expertise in legal talents and commercial litigation to assist the company in mastering the overall legal aspects during the operation layout, so as to reduce legal risks and improve operating efficiency. ■ None of the provisions of Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Him, his spouse, and relatives within the second degree of kinship do not serve as directors, supervisors or employees of the company or its affiliated companies. Independent director Li, Wen-cheng concurrently serves as an independent director of the parent company, does not apply to this restriction. 2. The person, the spouse, the relatives within the second degree of relatives do not hold the number of shares in the company. 3. Independent directors maintain their independence within the scope of their business execution, and must not have direct or indirect interests with the company, in the two years before the election and during the term of office, there is no circumstance specified in Article 3 of the "Regulations Governing Appointment of Independent Directors Compliance Matters for Public Companies". 4. The person has not provided business, legal, financial, accounting and other services to the Company or its affiliated companies for the last 2 years and received compensation. 	1

Qualification Name	Professional Qualifications and Experience	Independence Situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chen, Yung-chang	<ul style="list-style-type: none"> ■ Independent director / member of Audit Committee ■ Retired judge (retired from Taiwan High Court in 2007), qualified as judge and lawyer for more than 5 years, and has rich experience in legal affairs ■ Past Experience Judge of Taoyuan, Shilin and Taipei District Courts Chief Judge of Keelung District Court Judge and Presiding Judge of Taiwan High Court His legal expertise covers administrative law, fair trade law, mass communication law, commercial litigation, criminal litigation, intellectual property litigation, etc. The company expects to rely on his expertise in legal talents and commercial litigation to assist the company in mastering the overall legal aspects during the operation layout, so as to reduce legal risks and improve operating efficiency. ■ Primary current position Attorney of All-Pro Law Firm ■ None of the provisions of Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. The person, his spouse, and relatives within the second degree of kinship do not serve as directors, supervisors or employees of the company or its affiliated companies. 2. The person, the spouse, the relatives within the second degree of relatives do not hold the number of shares in the company. 3. Independent directors maintain their independence within the scope of their business execution, and must not have direct or indirect interests with the company, in the two years before the election and during the term of office, there is no circumstance specified in Article 3 of the "Regulations Governing Appointment of Independent Directors Compliance Matters for Public Companies". 4. The person has not provided business, legal, financial, accounting and other services to the Company or its affiliated companies for the last 2 years and received compensation. 	2

Note 1: As a corporate shareholder, Da-Li Investment Co., Ltd appointed Lin, Wei-Chum to act as representative and director in place of Tsai, Chung-Ping on April 10, 2023. As a result, Tsai, Chung-Ping was removed from the post as Chairperson. At the meeting of the Board of Directors on April 10, 2023, Chiu, Ping-Tse was elected to be the Chairperson. To distinguish powers of the Chairperson and the President, manager Lin, Wei-Chum was promoted as the President from April 10, 2023.

2. Diversity and Independence of the Board of Directors

(1) Diversity of the Board of Directors

The board of directors of the company guides the company's strategy, supervises the management and is responsible to the company and shareholders' meeting. In various operations and arrangements of the corporate governance system, the board of directors exercises its functions and powers in accordance with laws, the company's Articles of Incorporation or the resolutions of the shareholders' meeting.

The structure of the board of directors of the company shall be based on the scale of the company's operation and development and the shareholding situation of its major shareholders, taking into account the needs of practical operations, and determining the appropriate number of directors with more than five members.

The composition of the Board of Director should consider the diversification, and that appropriate diversification policies should be formulated based on its own operation, operation type and development needs, including but not limited to the following 2 facets of standards:

- ① Basic conditions and values: Gender, age, nationality, culture, etc.
- ② Professional knowledge and skills: Professional background. (such as law, accounting, industry, finance, marketing, law or environmental protection), professional skills, and other experiences of industry.

The members of the board of directors shall generally possess the necessary knowledge, skills and qualities to perform their duties. In order to achieve the ideal goals of corporate governance, the overall ability of the board of directors should be as follows:

- ① Ability to make operational judgments.
- ② Ability to perform accounting and financial analysis.
- ③ Ability to conduct management administration.
- ④ Ability to conduct crisis management.
- ⑤ Knowledge of the industry.
- ⑥ Perspective of Global Market.
- ⑦ Leadership.
- ⑧ Capability of Decision Making.

(2) Specific management objectives of the Company's diverse policies and attainment:

Management objectives	Attainment
Independent directors account for 1/3 of all directors	Attained
Directors who also act as managers account for no more than 1/3 of all directors	Attained
Master diverse professional knowledge and skills	Attained
Increase one female director	Unattained Expected to be elected and appointed in the next complete re-election

(3) The company's current board member diversity policy and its implementation are as follows:

1. The current Board of Directors consists of seven directors, including 3 independent directors, and each director has rich experience and expertise in different fields.
2. The Company's directors concurrently serving as employees account for 29% and independent directors account for 43%. One independent director has a tenure of less than 3 years, two independent directors have a tenure of 7 to 8 years. One directors is 70 years old or older, two directors are over 60 years old, 3 directors are between 50 to 60 years old, and one director is under 40 years old. The Company values the gender equality in the composition of the Board of Directors, there are 7 directors, including 1 female director, achieve 14%, and the goal is to add one more female director in the Board of Directors for the next term.
3. The implementation of the diversification for the members of board of directors of this term (2021/08/16-2024/08/15) is as the following table:

Job Title	Name	Formation					Experience in industry / specialty									
		Nationality	Gender	concurrently serve as the employee of the company	Age	Seniority of tenure as independent director	Financial Accounting	Law	Marketing	Operational Judgment	Business Management	Crisis Management	Knowledge of the Industry	Perspective of Global Market	Leadership	Capability of Decision
Chairperson and Representative of Legal Person Director	Tsai, Chung-Ping (Note 1)	Republic of China	Male		50 60		✓		✓	✓	✓	✓	✓	✓	✓	✓
Representative of Legal Person Director	Lin, Wei-Chum (Note 1)	Republic of China	Male	✓	50 60		✓		✓	✓	✓	✓	✓	✓	✓	✓
Chairperson and Representative of Legal Person Director	Chiu, Ping-Tse (Note 1)	Republic of China	Male	✓	50 60		✓		✓	✓	✓	✓	✓	✓	✓	✓
Representative of Legal Person Director	Cheng Chiao-Wen	Republic of China	Female		30 40		✓		✓	✓	✓	✓	✓	✓	✓	✓
Representative of Legal Person Director	Chen, Kuo-Yen	Republic of China	Male		50 60				✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Yen, Yun-Chi	Republic of China	Male		60 70	>3	✓		✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Li, Wen-Cheng	Republic of China	Male		70 80	>3		✓		✓	✓	✓	✓	✓	✓	✓
Independent Director	Chen, Yung-chang	Republic of China	Male		60 70	<3		✓		✓	✓	✓	✓	✓	✓	✓

Note 1: As a corporate shareholder, Da-Li Investment Co., Ltd appointed Lin, Wei-Chum to act as representative and director in place of Tsai, Chung-Ping on April 10, 2023. As a result, Tsai, Chung-Ping was removed from the post as Chairperson. At the meeting of the Board of Directors on April 10, 2023, Chiu, Ping-Tse was elected to be the Chairperson. To distinguish powers of the Chairperson and the President, manager Lin, Wei-Chum was promoted as the President from April 10, 2023.

(4) The Independence of the Board of Directors

The board of directors of the company guides the company's strategy, supervises the management and is responsible to the company and shareholders. In various operations and arrangements of the corporate governance system, the board of directors exercises its functions and powers in accordance with laws, the company's articles of association or the resolutions of the shareholders' meeting. The board of directors of the company emphasizes the functions of independent operation and transparency. Directors and independent directors are independent individuals and exercise their powers independently. The three independent directors also abide by the relevant laws and regulations, cooperate with the powers of the audit committee, review the management and control of the company's existing or potential risks, etc., so as to supervise the effective implementation of the company's internal control, the selection (dismissal) of certified accountants, and independence and Fair preparation of financial statements. In addition, according to the company's "Director Election Regulations", the cumulative voting system and candidate nomination system are adopted for the selection and appointment of directors and independent directors, and shareholders are encouraged to participate. Personnel qualification review and confirmation of violations of the items listed in Article 30 of the Company Law are conducted and announced in accordance with the law to protect the rights and interests of shareholders, avoid monopoly or excessive nomination rights, and maintain independence.

The company has established a performance evaluation system for the board of directors, and implements an internal self-evaluation of the board of directors and self-evaluation of board members once a year. The measurements of the Board of Directors performance evaluation include five major aspects, namely (1) the degree of participation in the Company's operations, (2) improvement in the quality of decision-making by the Board of Directors, (3) the composition and structure of the Board of Directors, (4) the election of the directors and their continuing professional education, and (5) internal control. The self-evaluation of board members include six major aspects, namely (1) grasp of the Company's goals and missions, (2) recognition of director's duties, (3) degree of participation in the Company's operations, (4) management of internal relationships and communication, professionalism and (5) continuing professional education, and (6) internal control. The above-mentioned relevant self-assessment results are disclosed in the Company's annual report and official website after reporting to the Board of Directors.

(II) Information of president, vice president, associates, department and branch directors

April 15, 2023

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education) (Note 1)	Position currently held at other companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio			Job Title	Name	Relationship	
President	Republic of China	Chiu, Ping-Tse (Note 3)	M	2021.10.05	0	0	0	0	0	0	Civil Engineering Institute, National Taiwan University President of Run Long Construction Co., Ltd. Chairperson of Jin Jyun Construction Co.,Ltd.	None	None	None	None	
President	Republic of China	Lin, Wei-Chun (Note 3)	M	2023.04.10	0	0	0	0	0	0	Department of Applied English, Ming Chuan University Department of Construction Engineering, Chung Hua University Manager of Development Department of Run Long Construction Co., Ltd.	None	None	None	None	
Company Governance Executives	Republic of China	Lin, Wen-Long (Note 4)	M	2021.06.24	—	—	—	—	—	—	National Taichung Commercial College Business Administration Dept. Vice President of Taiwan Cooperative Bank	—	—	—	—	
Assistant Vice President	Republic of China	Wu, Chin-Ching	M	2019.12.02	29,311	0.01	0	0	0	0	Shuan-Yuan Industrial Section Head Assistant Vice President of Administration Department of Run Long Construction Co., Ltd.	None	None	None	None	
Assistant Vice President	Republic of China	Fang, Tze-Chiang	M	2021.08.10	0	0	0	0	0	0	Institute of Architecture and Urban Design, Department of Architecture, School of Design, National Taipei University of Technology Vice President of Design Department of Wu, Chang-Rung Architects.	None	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education) (Note 1)	Position currently held at other companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio			Job Title	Name	Relationship	
Assistant Vice President	Republic of China	Liu, Kuan-Ying (Note 5)	F	2022.04.01	65,342	0.01	0	0	0	0	Department of Lands, Chung Hsing University Assistant Manager of Sales Department of Highwealth Construction Co., Ltd., Assistant Vice President of Sales Department of Bao-Yuan Construction Co., Ltd.	None	None	None	None	
Manager also acted as the Company Governance Executives	Republic of China	Lu, Chia-Yin	F	2011.10.27	46,775	0.01	0	0	0	0	Department of Accounting, National Taipei University of Business Finance Manager of Run Long Construction Co., Ltd.	None	None	None	None	
Manager	Republic of China	Lin, Ya-mei	F	2011.10.27	0	0	0	0	0	0	Accounting Department, Fu-Jen University Accounting manager of Run Long Construction Co., Ltd.	None	None	None	None	

Note 1: For the experience related to the current position, if such experience is any position at the accounting firm of the Company's CPAs or at an affiliated enterprise of such accounting firm during the aforesaid period, such position and functions shall be specified.

Note 2: Where the president or person of an equivalent post (the highest level manager) and the chairperson are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness and necessity thereof, and the measures adopted in response thereto (such as increasing the seats of independent directors, with the majority of directors not concurrently serving as employees or managerial officers). This is not applicable to the company.

Note 3: As a corporate shareholder, Da-Li Investment Co., Ltd appointed Lin, Wei-Chum to act as representative and director in place of Tsai, Chung-Ping on April 10, 2023. As a result, Tsai, Chung-Ping was removed from the post as Chairperson. At the meeting of the Board of Directors on April 10, 2023, Chiu, Ping-Tse was elected to be the Chairperson. To distinguish powers of the Chairperson and the President, manager Lin, Wei-Chum was promoted as the President from April 10, 2023.

Note 4: Mr. Lin, Wen-Long was appointed as the Company Governance Executive on Jun. 24, 2021, Consultant Lin, Wen-Long resigned on December 1, 2022.

Note 5: On Apr. 1, 2022, Ms. Liu, Kuan-Ying was appointed as the Assistant Vice President of the Sales dept. of the company.

Note 6: From December 1, 2022, Lu, Chia-Yin, the manager of the Finance Department, also acted as the Company Governance Executive.

3. Remuneration of directors, supervisors, president, and vice presidents in latest year

(I) Remuneration of directors and independent directors (name and remuneration method are disclosed individually)

Dec. 31, 2022

Unit: NT\$ thousand; Shares; %

Job Title	Name	Remuneration								Ratio of total compensation A+B+C+D and to net income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) and to net Income (%)		Compensation paid by an invested company other than the Company's subsidiary or parent company					
		Base Compensation (A)		Severance Pay (B)		Directors Remuneration (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Remuneration (G)											
		The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	Cash Bonus	Stock Amount	Cash Bonus	Stock Amount	The Company	Companies in the consolidated financial statements (Note 7)						
General Director	Institutional Director	Da-Li Investment Co., Ltd	0	0	0	0	1,050	1,050	0	0	1,050	1,050	0.67%	0.67%	0	0	0	0	0	0	0	0	1,050	1,050	0.67%	0.67%	None
	Representative of the Chairperson	Tsai, Chung-Ping	0	0	0	0	0	0	0	0	0	0	3,976	4,115	0	0	370	0	370	0	0	0	4,346	4,485	2.77%	2.86%	None
	Institutional Director	Kaung Yang Investment Co., Ltd.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None	
	Director Representative	Chiu, Ping-Tse	0	0	0	0	250	250	0	0	250	250	0.16%	0.16%	2,671	3,375	0	0	296	0	296	0	3,217	3,921	2.05%	2.50%	None
	Director Representative	Cheng, Chiao-Wen	0	0	0	0	100	100	0	0	100	100	0.06%	0.06%	0	0	0	0	0	0	0	0	100	100	0.06%	0.06%	None
	Director Representative	Chen, Kuo-Yen	0	0	0	0	100	100	0	0	100	100	0.06%	0.06%	0	0	0	0	0	0	0	0	100	100	0.06%	0.06%	None
Independent Director	Independent Director	Yen, Yun-qi	1,020	1,020	0	0	0	0	0	0	1,020	1,020	0.65%	0.65%	0	0	0	0	0	0	0	0	1,020	1,020	0.65%	0.65%	None
	Independent Director	Li Wen-cheng	1,020	1,020	0	0	0	0	0	0	1,020	1,020	0.65%	0.65%	0	0	0	0	0	0	0	0	1,020	1,020	0.65%	0.65%	None
	Independent Director	Chen, Yung-chang	960	960	0	0	0	0	0	0	960	960	0.61%	0.61%	0	0	0	0	0	0	0	0	960	960	0.61%	0.61%	None

1. Please describe the policy, system, standard and construction of director's payment, and describe the relevance of the amount of payment according to factors, such as responsibility, risk, and times:

In order to make independent directors have an impact on the Board of Directors and the operation of the Company and maintain independence, pursuant to Article 5 of the "Rules Governing the Scope of Powers of Independent Directors", the Company has to pay the independent directors of the Company every month (or every quarter or every half year) regardless of the earnings of the Company. Moreover, the payment should be adjusted according to the level of participation and the value of the contribution (must be resolved by the Remuneration Committee and the Board of Directors).

The independent directors do not involve with the assignment of consideration and other incentives.

2. In addition to what is disclosed above, the payment of the directors provides all companies reported in the financial report with service (ex: serving as a non-employee consultant ... etc.) in a recent year: None.

Note 1: The 2022 Directors Remuneratio and employees' remuneration is filled in with the estimated amount.

(II) Supervisors' remuneration: Not applicable.

The Company has established the Audit Committee on June 11, 2018 to replace the functions of the supervisors.

(III) Remuneration of president and vice president

Dec. 31, 2022

Unit: NT\$ thousand; Shares; %

Job Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances ... etc.(C)		Employee Remuneration (D) (Note 2)				Ratio of total compensation A+B+C+D and to net income (%)		Compensation paid by an invested company other than the Company's subsidiary or parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash Bonus	Stock Amount	Cash Bonus	Stock Amount			
President	Chiu, Ping-Tse	1,500	2,100	0	0	1,171	1,275	296	0	296	0	2,967 1.89%	3,671 2.34%	None

Note 1: Regardless the title, any position equivalent to the president and vice president (e.g. director-general, chief executive, etc.) shall be disclosed.

Note 2: The 2022 employees' remuneration is filled in with the estimated amount.

(IV) Names and distribution status of managerial officers with employee remuneration distribution

Dec. 31, 2022

Unit: NT\$ thousand; Shares; %

	Job Title	Name	Stock Amount	Cash Bonus	Total Amount	Ratio of total amount to net income (%)
MANAGERS	Chairperson	Tsai, Chung-Ping (Note 1)	0	941	941	0.60
	President	Chiu, Ping-Tse (Note 1)				
	Assistant Vice President	Wu, Chin-Ching				
	Assistant Vice President	Fang, Tze-Chiang				
	Assistant Vice President	Liu, Kuan-Ying (Note 2)				
	Manager also acted as the Company Governance Executives	Lu, Chia-Yin (Note 3)				
	Manager	Lin, Ya-mei				

Note 1: As a corporate shareholder, Da-Li Investment Co., Ltd appointed Lin, Wei-Chum to act as representative and director in place of Tsai, Chung-Ping on April 10, 2023. As a result, Tsai, Chung-Ping was removed from the post as Chairperson. At the meeting of the Board of Directors on April 10, 2023, Chiu, Ping-Tse was elected to be the Chairperson. To distinguish powers of the Chairperson and the President, manager Lin, Wei-Chum was promoted as the President from April 10, 2023.

Note 2: On Apr. 1, 2022, Ms. Liu, Kuan-Ying was appointed as the Assistant Vice President of the Sales dept. of the company.

Note 3: From December 1, 2022, Lu, Chia-Yin, the manager of the Finance Department, also acted as the Company Governance Executive.

Note 4: The aforesaid amounts of 2022 employees' remuneration are the estimated distributed amount.

(V) Analysis of the ratio of total remuneration (paid to the directors, supervisors, president, and vice presidents of the Company by the Company and all the companies in the consolidated statements in the last two years) to net profit after tax, and explain the policy, standard, and combination of remuneration, the procedure for determining remuneration, and the relationship with operating performance and future risks:

1. Total remuneration, as a percentage of net income after tax stated in the financial reports, as paid by the Company during the two most recent fiscal years to directors, supervisors, president and vice presidents:

Unit: NT\$ thousand

Item Job Title	The Company				All the companies in Consolidated statements			
	2022		2021		2022		2021	
	Total remunerations	As a percentage of net income after tax	Total remunerations	As a percentage of net income after tax	Total remunerations	As a percentage of net income after tax	Total remunerations	As a percentage of net income after tax
Director	4,500	2.87%	12,400	0.74%	4,500	2.87%	12,400	0.74%
President and Vice President (Note 1)	2,967	1.89%	23,394	1.40%	3,671	2.34%	24,310	1.45%
Net income after tax	156,636	—	1,671,830	—	156,636	—	1,671,830	—

Note 1: Chairperson Tsai, Chung-Ping ceased to serve as the President on Oct. 5, 2021, and Vice President Chiu, Ping-Tse was promoted as General Manager.

Note 2: The directors' total remunerations in 2022 declined compared with those in 2021, because of the decrease in the net income after tax in 2022. The total remunerations of the President and the Vice President in 2022 were lower than those in 2021 due to Chairperson ceased to serve as the President and declining bonus payments.

2. Policy, standards, and composition of remuneration payment:

(1)The Company has established the Remuneration Committee, whose function is to evaluate, from an expert and objective standpoint, the Company's policies and systems for the remuneration of directors and managers, and to make recommendations to the Board of Directors for the Board's reference in decision making.

(2)Pursuant to Article 22 of the Articles of Incorporation of the Company, the remuneration of directors for performing their duties shall be agreed upon by the Board of Directors based on the degree of individual directors' participation in the operation and the value of their contributions. In addition, if the Company has made a profit in the current year, pursuant to the Article 29 of the Company's Articles of Incorporation, no more than 1% of profit may be appropriated as director remuneration. Independent directors receive a monthly fixed remuneration (paid semi-annually) determined by the Board of Directors, and do not participate in the distribution of remuneration when the Company makes a profit.

- (3) The Company's employee remuneration policy is determined based on personal work experience, job responsibilities, working ability and performance, the Company's financial position and operating conditions, and is positively related to operating performance. In addition, if the Company has made a profit in the current year, pursuant to the Article 29 of the Company's Articles of Incorporation, no less than 0.1% of the profit is appropriated for employee remuneration.
- (4) The remuneration policy of the Company's managerial officers, including salary and bonuses. For the salary, the Company's internal salary balance is considered the market conditions are referred to, while being deliberated by the Remuneration Committee based on the managerial officers' rank, educational and industrial background, professional ability and responsibilities, and then submitted to the Board of Directors for resolutions. Bonuses are determined based on the Company's profit in the current year, taking into account the managerial officers' positions, contribution, performance target achievement rate, and the Company's operating performance for that year. Bonuses are reviewed by the Remuneration Committee and sent to the Board of Directors for resolution.
- (5) "Remuneration" as used in the Remuneration Committee Charter includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures. Its scope shall be consistent with that of the remuneration for directors and managers as set out in the "Regulations Governing Information to be Published in Annual Reports of Public Companies".

3. Procedures for setting remuneration:

- (1) The performance evaluation of directors and managerial officers is based on the Company's "Evaluation Procedures for the Board of Directors Performance" and the "Procedures of Performance Management" applicable to managerial officers and employees. Other than the Company's overall operating performance, the industry's future risks and development trends, the individual's performance achievement rate and contribution to the Company are also considered when determining the reasonable remuneration given. Relevant performance appraisal and remuneration reasonableness is reviewed by the Remuneration Committee and the Board of Directors, and is subject to review from time to time based on the actual operating conditions and related laws and regulations, while considering the current reasonable trend of corporate governance, in order to achieve a balance between the Company's sustainable operation and risk control.
- (2) According to the performance self-assessment results of the Company's 2022 Board of Directors, Board members, and members of functional committees, they were all found to be "significantly exceeding the standard" the standard". Moreover, according to the Company's

2022 annual managerial officers' performance evaluation results, all managerial officers have achieved or exceeded the original target requirements. The remuneration of directors and managerial officers has fully considered their professional capabilities and the Company's operations and financial position, and is linked to the Company's overall operating performance, personal performance target management and appraisal results.

4. Linkages to the operating performance and future risks:

The Company's overall operating conditions are the main consideration for the review of the relevant payment standards and systems, and the payment standards are approved based on the performance achievement rate and contribution level, to improve the overall organizational team effectiveness of the Board of Directors and the management department. In addition, by referring to the industry's remuneration standards, the remunerations of the Company's management is ensured to be competitive in the industry, to retain outstanding management talent.

The results of the Company's operating results and the performance and remuneration of the management are inter-linked to each other, which positively promotes the overall performance of the Company and maximizes the interests of shareholders.

The important decisions of the Company's management are based on a balanced consideration of various risk factors. The performance of related decisions is reflected in the Company's profits, and then is related to the remunerations of the management.

4 . Implementation of Corporate Governance

(I) Operation of the Board meeting:

In the most recent year (2022) the Board held 9 (A) meetings, and the attendance of directors (including Independent Directors) was as follows:

Job Title	Name	Actual no. of meetings attended (in non-voting capacity) (B)	No. of meetings with entrusted attendance	Ratio of actual no. of meetings attended (in non-voting capacity) (B/A)	Remarks
Chairperson	Da-Li Investment Co., Ltd Representative: Tsai, Chung-Ping	9	0	100.00%	
Director	Kaung Yang Investment Co., Ltd. Representative: Chiu, Ping-Tse	9	0	100.00%	
Director	Kaung Yang Investment Co., Ltd. Representative: Cheng, Chiao-Wen	4	3	44.44%	
Director	Kaung Yang Investment Co., Ltd. Representative: Cheng, Chiao-Wen	8	1	88.89%	
Independent Director	Li, Wen-Cheng	9	0	100.00%	
Independent Director	Yen, Yun-Chi	9	0	100.00%	
Independent Director	Chen, Yung-Chang	8	1	88.89%	
Directors Average Actual Attendance Rate (%) for 2022 (Total actual attendances / total required attendances)				88.89%	

Other items to be recorded:

I. If any of the following circumstances occur in the operation of the Board meeting, please indicate the date of the Board meeting, the session number, the contents of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors:

(I) The matters listed in Article 14-3 of the Securities Exchange Act.

Date	Motion Contents	Objection or reserved opinions of the independent directors	Opinions of the independent directors	The Company's handling of the opinions of the independent directors	Resolution
2022.03.14 (7th meeting of the term)	Proposal to appoint and compensate the CPAs	None	Approved	Not applicable.	All attending directors approved
	Proposal for the Company's 2021 earnings to issue new shares.	None	Approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Handling Procedures of Acquiring or Disposing Assets"	None	Approved	Not applicable.	All attending directors approved
	Proposal of the Company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2021.	None	Approved	Not applicable.	All attending directors approved
	Proposal of the Company plans to issue the 2022 1st Secured Ordinary Corporate Bonds.	None	Approved	Not applicable.	All attending directors approved

Date	Motion Contents	Objection or reserved opinions of the independent directors	Opinions of the independent directors	The Company's handling of the opinions of the independent directors	Resolution
2022.05.09 (9th meeting of the term)	The Company's proposal for donating the land on the road and the green land of Dean Section, Zhongshan District, Keelung City to the government of Keelung City.	None	Approved	Not applicable.	All attending directors approved
	Proposal to renew the Company's "Directors' Liabilities Insurance"	None	Approved	Not applicable.	All attending directors approved
2022.08.10 (11th meeting of the term)	Proposal to determine the ex-dividend and cash dividends distribution base dates for the 2021 surplus transferred to capital increase for issuing new shares (capital increase).	None	Approved	Not applicable.	All attending directors approved
2022.08.29 (12th meeting of the term)	Proposal to sell the housing and parking space of the Company's construction projects to related parties.	None	Approved	Not applicable.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
	The Company's proposal for issuance of common stocks for cash by subscribing to the subsidiary Jin Jyun Construction Co., Ltd.	None	Approved	Not applicable.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
2022.11.10 (14th meeting of the term)	The Company's Proposal to replace the CPAs certifying the financial statements	None	Approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's Rules of Procedure for the Meetings of the Board of Directors	None	Approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Internal Control System Statement" and "Internal Audit System"	None	Approved	Not applicable.	All attending directors approved
2022.12.27 (15th meeting of the term)	Proposal to appoint and compensate the CPAs	None	Approved	Not applicable.	All attending directors approved
	Proposal to assess the independence of CPAs for 2022.	None	Approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Internal Control System Statement" and "Internal Audit System"	None	Approved	Not applicable.	All attending directors approved
	Proposal to distribute 2021 directors' remuneration.	None	Approved	Not applicable.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
	The Company's proposal to entrust the subsidiary Jin Jyun Construction Co., Ltd. to offer the limit on guaranty amount for financing and loaning from financial institutions for business operations	None	Approved	Not applicable.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved

(II) Any other documented objections or qualified opinions raised by independent directors against Board resolutions in relation to matters other than those described above: None.

II. For situations where a director avoids a motion related to their own interests, the director's name, the contents of the motion, the reasons for the avoidance of interests and the voting results shall be disclosed:

Date	Motion Contents	Name of recused director	Reasons for the required recusal, and participation in the voting process	Resolution
2022.08.29 (12th meeting of the term)	Proposal to sell the housing and parking space of the Company's construction projects to related parties.	Director Chiu, Ping-Tse	In this proposal, the transaction counterparties of the property and parking space sold by the Company are Director Chiu, Ping-Tse relatives within the second degree of kinship, so Director Chiu, Ping-Tse is a stakeholder of this proposal that he shall avoid taking part in discussions and voting out of his interests according to the laws.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
	The Company's proposal for issuance of common stocks for cash by subscribing to the subsidiary Jin Jyun Construction Co., Ltd.	Director Chiu, Ping-Tse	In this proposal, Director Chiu, Ping-Tse is the Chairperson of Jin Jyun Construction Co., Ltd., so he is a stakeholder of this proposal that he shall avoid participating in the discussions and voting out of his interests according to the laws.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
2022.12.27 (15th meeting of the term)	Proposal to distribute 2021 directors' remuneration	Director Tsai, Chung-Ping, Director Chiu, Ping-Tse, Director Chen, Kuo-Yen	The directors' remuneration involves personal interests, and thus when reading and deliberating the remuneration of individual directors' remuneration, Chairperson, Tsai, Chung-Ping, Director Chiu, Ping-Tse, and Director Chen, Kuo-Yen recused themselves, and the independent director Li, Wen-Cheng chaired the meeting as the acting chair to preside over the discussion and voting on the proposal.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
	The Company's proposal to entrust the subsidiary Jin Jyun Construction Co., Ltd. to offer the limit on guaranty amount for financing and loaning from financial institutions for business operations	Director Chiu, Ping-Tse	In this proposal, Director Chiu, Ping-Tse is the Chairperson of Jin Jyun Construction Co., Ltd., so he is a stakeholder of this proposal that he shall avoid participating in the discussions and voting out of his interests according to the laws.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved

III. Implementation status of assessment of the Board of Directors:

(I) The cycle, period, scope, method and content of evaluation for the self assessment of the Board of Directors

Period of Evaluation	Duration of Evaluation	Scope of Evaluation	Methods of Evaluation	Content of Evaluation
Once per year	January 1, 2022, to December 31, 2022	Performance evaluation of the overall Board of Directors	Internal assessment of the Board of Director	The measurements of the Board of Directors performance evaluation include five major aspects, namely the degree of participation in the Company's operations, improvement in the quality of decision-making by the Board of Directors, the composition and structure of the Board of Directors, the election of the directors and their continuing professional education, and internal control.
		Individual board members	Assessment of the board members	The measurements of individual board members performance evaluation include six major aspects, namely grasp of the Company's goals and missions, recognition of director's duties, degree of participation in the Company's operations, management of internal relationships and communication, professionalism and continuing professional education, and internal control.
		Functional committees (Audit Committee and Remuneration Committee)	Assessment of the functional committees	The measurements of functional committees performance evaluation include five major aspects, namely degree of participation in the Company's operations, recognition of the duties of the functional committee, improvement in the quality of decision-making by the functional committee, composition of the functional committee and election and appointment of committee members, and internal control.

(II) The results of the 2022 performance evaluation were submitted to the Board of Directors on March 10, 2023.

(III) Evaluation results: The performance evaluation results of the Company's overall Board of Directors, individual board members, Audit Committee and Remuneration Committee were "significantly exceeding the standard" (90 points or more); it shows that the overall operation of the Company's Board of Directors, Audit Committee and Remuneration Committee operate well as a whole, and in line with corporate governance.

IV. Evaluation of the objectives and implementation of the strengthening of the functions of the Board of Directors in the current year and the most recent year:

(I) Objectives of enhancing functions of the Board of Directors:

The Company has appointed independent directors in its Board of Directors, to enhance independence of the directors. It set up the Audit Committee on June 11, 2018 and the Remuneration Committee on December 29, 2011 (for related operations of such committees, please refer to Page 42-50, 71-75 of the annual report respectively), to enhance functions of the Board of Directors through establishment and operation of such functional committees.

(II) Implementation:

All major proposals of the Company (including those on investments, acquisition or disposal of assets, loaning or guarantee by endorsement) shall be submitted to the Board of Directors for full discussion and resolution before their execution. They shall be fully disclosed on MOPS in accordance with "the procedures released by Taiwan Stock Exchange Corporation for verification and publication of major information of listed companies of negotiable securities", for the purpose of information publication and transparency. The implementation in 2022 was as follows:

1. As resolved by the Audit Committee and the Board of Directors on May 9, 2022, the land on roads and green land of Dean Section, Zhongshan District, Keelung City were donated to the government of Keelung City.
2. As resolved by the Audit Committee and the Board of Directors on August 29, 2022, the property and the parking space proposed by the Company were sold to the stakeholders.
3. As resolved by the Audit Committee and the Board of Directors on August 29, 2022, the Company participated in subscribing to the subsidiary Jin Jyun Construction Co., Ltd. for the first issuance of common stocks for cash in 2022.
4. As resolved by the Audit Committee and the Board of Directors on December 27, 2022, the subsidiary Jin Jyun Construction Co., Ltd. was entrusted to guarantee limits by endorsement.

(II) The operation of the Audit Committee

1. The Company's Audit Committee was established on June 11, 2018 to replace the original supervisor system. The members of the committee are composed of all independent directors of the board of directors. There are three members, at least one of whom should have accounting or financial expertise. After the re-election of the company's shareholders' meeting on Aug. 16, 2021, the second session of the "Audit Committee" was formed by all the newly appointed independent directors, and the independent director Li, Wen-Cheng was elected by all the members as the convener. The Committee's operation is pursuant to the "Audit Committee Charter".
2. The main responsibilities and the key tasks of the year were reviewing and supervising the Company's financial reports, risk control, and finance-related proposals. The deliberations include: the Company's financial reports, accounting and internal control systems, and major asset or derivative transactions, offering or issuing negotiable securities, appointment or dismissal and remuneration of CPAs, matters involving the interests of the directors, and the appointment and dismissal of financial, accounting or internal audit officers, among other things.

(1) Review and Check of Financial Statements

Annual business report, financial statements and earning distribution proposals of the company shall be approved by the Audit Committee, and reviewed and discussed by the Board of Directors. After the approval of the Board of Directors, proposed to the shareholders' meeting for ratification. In addition, the quarterly financial reports are also submitted to the Board of Directors after being reported to the Audit Committee.

(2) Evaluate the Effectiveness of Internal Control System

The self-evaluation results of the internal control system were conducted according to routine operations by each unit within the Company annually and checked by the Audit Committee. The Audit Committee checks the internal control system, including understanding operation results and the extent to which efficiency goals have been reached, reliability, timeliness, transparency of reports, and the effective enacting and implementation in accordance to laws and regulations, in order to reasonably ensure goals are achieved.

(3) Appointment and Evaluation of CPAs

The Audit Committee shall conduct assessments of CPAs' professionalism, independence, and reasonableness of remuneration at the end of each fiscal year. The results of the assessment of the CPAs' service in 2022 have been deliberated and approved by the 10th meeting of the 2nd Term Audit Committee on December 27, 2022, and the 15th meeting of the Board of Directors on December 27, 2022. Yi-Lien Han, and Ti-Nuan Chien, accountants of KPMG, are in compliance with the assessment standards for independence and competence.

3. In the most recent year (2022) the Audit Committee held 6 (A) meetings, the attendance of the independent directors is as follows:

Job Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Ratio of actual no. of meetings attended (B/A)	Remarks
Independent Director	Li, Wen-Cheng (Convener)	6	0	100.00%	
Independent Director	Yen, Yun-Chi	6	0	100.00%	
Independent Director	Chen, Yung-Chang	6	0	100.00%	
Audit Committee Member Average Actual Attendance Rate (%) for 2021 (Total actual attendances / total required attendances)				100.00%	

Other items to be recorded:

I. If the operation of the Audit Committee has one of the following circumstances, the date and time of the Audit committee meeting, the term, the content of the proposal, dissenting opinions, reservations or major proposals of independent directors, the results of the resolution of the Audit Committee and the Company's handling of the opinions of the Audit Committee shall be disclosed:

(I) The matters listed in Article 14-5 of the Securities Exchange Act:

Date of Board of Directors Meeting	Motion Contents	Audit Committee Date	Resolution of the Audit Committee	The Company's handling of the opinions of the Audit Committee	Resolution of the Board of Directors
2022.03.14 7th meeting of the term	Proposal for the Company's 2022 business plans and annual budgets.	2022.03.14 5th meeting of the 2nd term	All attending members approved	Not applicable.	All attending directors approved
	Proposal to appoint and compensate the CPAs.		All attending members approved	Not applicable.	All attending directors approved
	Proposal for the Company's 2021 business report and financial statements.		All attending members approved	Not applicable.	All attending directors approved
	Proposal for the Company's 2021 earnings distribution.		All attending members approved	Not applicable.	All attending directors approved
	Proposal for the Company's 2021 earnings and capital increase by way of issuance of new shares.		All attending members approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Articles of Incorporation".		All attending members approved	Not applicable.	All attending directors approved

Date of Board of Directors Meeting	Motion Contents	Audit Committee Date	Resolution of the Audit Committee	The Company's handling of the opinions of the Audit Committee	Resolution of the Board of Directors
2022.03.14 7th meeting of the term	Proposal to amend the Company's "Handling Procedures of Acquiring or Disposing Assets."	2022.03.14 5th meeting of the 2nd term	All attending members approved	Not applicable.	All attending directors approved
	Proposal for the Company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2021.		All attending members approved	Not applicable.	All attending directors approved
	Proposal of the Company plans to issue the 2022 1st Secured Ordinary Corporate Bonds.		All attending members approved	Not applicable.	All attending directors approved
2022.05.09 9th meeting of the term	The company Q1 2022 consolidate financial report proposal.	2022.05.09 6th meeting of the 2nd term	All attending members approved	Not applicable.	All attending directors approved
	The Company's proposal for donating the land on the road and the green land of Dean Section, Zhongshan District, Keelung City to the government of Keelung City.		All attending members approved	Not applicable.	All attending directors approved
	Proposal to renew the Company's "Directors' Liabilities Insurance".		All attending members approved	Not applicable.	All attending directors approved
2022.08.10 11th meeting of the term	The company Q2 2022 consolidate financial report proposal.	2022.08.10 7th meeting of the 2nd term	All attending members approved	Not applicable.	All attending directors approved
	Proposal to determine the ex-dividend and cash dividends distribution base dates for the 2021 surplus transferred to capital increase for issuing new shares (capital increase).		All attending members approved	Not applicable.	All attending directors approved

Date of Board of Directors Meeting	Motion Contents	Audit Committee Date	Resolution of the Audit Committee	The Company's handling of the opinions of the Audit Committee	Resolution of the Board of Directors
2022.08.10 11th meeting of the term	Proposal to amend some clauses of the Company's Administrative Measures for Powers and Annex II (Table of Approved Powers) attached thereunder	2022.08.10 7th meeting of the 2nd term	All attending members approved	Not applicable.	All attending directors approved
2022.08.29 12th meeting of the term	Proposal to sell the housing and parking space of the Company's construction projects to related parties.	2022.08.29 8th meeting of the 2nd term	All attending members approved	Not applicable.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
	The Company's proposal for issuance of common stocks for cash by subscribing to the subsidiary Jin Jyun Construction Co., Ltd.		All attending members approved	Not applicable.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
2022.11.10 14th meeting of the term	The company Q3 2022 consolidate financial report proposal.	2022.11.10 9th meeting of the 2nd term	All attending members approved	Not applicable.	All attending directors approved
	The Company's Proposal to replace the CPAs certifying the financial statements		All attending members approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Internal Control System Statement" and "Internal Audit System"		All attending members approved	Not applicable.	All attending directors approved

Date of Board of Directors Meeting	Motion Contents	Audit Committee Date	Resolution of the Audit Committee	The Company's handling of the opinions of the Audit Committee	Resolution of the Board of Directors
2022.12.27 15th meeting of the term	Proposal for the Company's 2023 audit plan.	2022.12.27 10th meeting of the 2nd term	All attending members approved	Not applicable.	All attending directors approved
	Proposal to appoint and compensate the CPAs.		All attending members approved	Not applicable.	All attending directors approved
	Proposal to assess the independence of CPAs for 2022.		All attending members approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's Operating Procedures for Handling Internal Major Information		All attending members approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Internal Control System Statement" and "Internal Audit System"		All attending members approved	Not applicable.	All attending directors approved
	The Company's proposal to cancel the applications for financing credit facilities from financial institutions		All attending members approved	Not applicable.	All attending directors approved
	The Company's proposal to entrust the subsidiary Jin Jyun Construction Co., Ltd. to offer the limit on guaranty amount for financing and loaning from financial institutions for business operations		All attending members approved	Not applicable.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
The Company's proposal to change the conditions for applying for financing credit facilities from financial institutions	All attending members approved	Not applicable.	All attending directors approved		

(II) In addition to the aforementioned matters, other matters that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: None.

- II. For situations where an independent director avoids a motion related to their own interests the contents of the motion, the reasons for the avoidance of interests and the voting results shall be disclosed: None.
- III. Communication between the independent directors and the internal audit supervisors and accountants (shall include the major issues, methods and results of communication regarding the Company's financial and business conditions):
- (I) Communication between the independent directors and accountants:
1. The company's audit committee is composed of all independent directors. It holds regular meetings and communicates and discusses with certified accountants on the company's financial business-related proposals. The Audit Committee examines the various forms prepared by the Board of Directors and submitted to the shareholders' meeting (business report, financial statement, earnings distribution plan). And issue the audit committee review report in accordance with the regulations.
 2. The Company's CPAs regularly conduct audits or reviews of the annual and quarterly financial statements, with written results or meeting reported to the Audit Committee every quarter, as well as other communications required by relevant laws and regulations.
 3. The Company's independent directors have direct communication channels with internal audit officer and CPAs, and may communicate through email, phone call, interview, or meeting as necessary; and pursuant to the regulations of the competent authority, they regularly check the Company's financial and business conditions, and communicate directly with the management unit.
- (II) Communication between the independent directors and internal audit supervisors:
1. Assess the effectiveness of the company's internal control system (issue a statement of internal control system), and submit it to the board of directors for resolution after being approved by the audit committee.
 2. A summary of the company's "internal control system" rules and regulations will be submitted to the board of directors for resolution after being approved by the audit committee.
 3. The formulation and revision of the Company's "Internal Audit System and Implementation Rules" shall be submitted to the Board of Directors for resolution after being approved by the Audit Committee.
 4. The company has set up an audit unit directly under the board of directors, which is responsible for determining the organization, establishment and responsibility of internal audit, comprehensively managing audit business, and regularly and irregularly reporting the implementation of audit business to the audit committee and the board of directors.
 5. After the internal audit report and the follow-up report are sent to the chairperson for review, the audit unit shall also report such to independent directors for review (in person or by email). The audit officer attends the Audit Committee and the Board of Directors to report on the internal audit operation, and fully communicates on the execution of the audit operation, the deficiencies found in audits and their improvement tracking, and the effectiveness.
The Company's independent directors may communicate and discuss with the audit officer depending on the content of the above-mentioned matters or as needed any time.
 6. The auditing unit of the company listed the inspection opinions or the lack of inspection on the self-assessment of accountants and internal units, and the matters that should be strengthened in the internal control system statement. Report to the Audit Committee and the Board of Directors in writing.

7. Before the end of each fiscal year, the audit unit of the company will submit the audit plan for the next year to the board of directors for resolution after being approved by the audit committee.
8. In principle, the audit unit of the company holds a "Symposium on Review of Defects in Internal Control System" once a year. All independent directors have a discussion with the internal audit supervisor on the review of the lack of internal control system and make a record. The meeting minutes will be submitted to the board of directors.

(III) The communication between independent directors and the CPAs is good. The main communication items in 2022 are summarized below:

Date	Methods	Key points of communication	Communication status and results	The Company's handling and execution of the opinions of the independent directors
2022/03/14	Audit Committee 5th meeting of the 2nd term (In writing)	Proposal to appoint and compensate the CPAs.	All attending members approved; submitted to the Board of Directors for approval	No opinions from the independent directors
		The 2021 individual and consolidated financial statements		
2022/05/09	Audit Committee 6th meeting of the 2nd term (In writing)	Q1 2022 consolidated financial statements		
2022/08/10	Audit Committee 7th meeting of the 2nd term (Presence of Certified Public Accountant)	Q2 2022 consolidated financial statements		
2022/11/10	Audit Committee 9th meeting of the 2nd term (In writing)	Q3 2022 consolidated financial statements		
		The Company's Proposal to replace the CPAs certifying the financial statements		
2022/12/27	Audit Committee 10th meeting of the 2nd term (In writing)	Proposal to appoint and compensate the CPAs.		
		Assessment of the independence of CPAs for 2022		

(IV) The communication between independent directors and the internal audit officer is good. The main communication items in 2022 are summarized below:

Date	Methods	Key points of communication	Communication status and results	The Company's handling and execution of the opinions of the independent directors
2022.01 ~2022.12	The internal audit officer reported to the independent directors	Audit reports of December 2021 and January to November 2022	The internal audit officer sends the audit reports regarding the audit situation to the chairperson and independent directors every month, so that the chairperson and independent directors can keep track of the Company's internal audit status in a timely manner	
2022/03/14	Audit Committee 5th meeting of the 2nd term	Internal audit report of Dec. 2021 to Jan. 2022	All attending members agreed and took notice; submitted to the Board of Directors	No opinions from the independent directors
		Report on the implementation of the 2021 internal audit plans		
2022/03/14	Audit Committee 5th meeting of the 2nd term	Self-assessment report on the design and implementation of various internal control systems from January to December 2021	All attending members discussed and approved; submitted to the Board of Directors for approval	No opinions from the independent directors
		The Company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2021		
2022/05/09	Audit Committee 6th meeting of the 2nd term	Internal audit report of Feb. to Mar. 2022	All attending members agreed and took notice; submitted to the Board of Directors	No opinions from the independent directors
2022/08/10	Audit Committee 7th meeting of the 2nd term	Internal audit report of Apr. to Jun. 2022	All attending members agreed and took notice; submitted to the Board of Directors	No opinions from the independent directors
		Deficiency tracking report		
		Notes on auditing of the Company's internal control system by Taiwan Stock Exchange Corporation		

Date	Methods	Key points of communication	Communication status and results	The Company's handling and execution of the opinions of the independent directors
2022/08/29	Audit Committee 8th meeting of the 2nd term	Internal audit report of Jul. 2022	All attending members agreed and took notice; submitted to the Board of Directors	No opinions from the independent directors
2022/11/10	Audit Committee 9th meeting of the 2nd term	Internal audit report of Aug. to Sep. 2022	All attending members agreed and took notice; submitted to the Board of Directors	No opinions from the independent directors
2022/12/27	Audit Committee 10th meeting of the 2nd term	Internal audit report of Oct. to Nov. 2022	All attending members agreed and took notice; submitted to the Board of Directors	No opinions from the independent directors
		Proposal for the Company's 2023 audit plan. Proposal to amend the Company's "Internal Control System Statement" and "Internal Audit System"	All attending members discussed and approved; submitted to the Board of Directors for approval	No opinions from the independent directors
	Conference	2022 conference of the internal auditors and independent directors	All attending members agreed	No opinions from the independent directors

(III) Corporate governance status, variance from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation Item	Implementation status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
I. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the Company established and disclosed its own Corporate Governance Best Practice Principles?	✓		The Company has the “Corporate Governance Best Practice Principles” in place, and disclosed such in the “Corporate Governance Section” in the “Investors” section on the Company website and MOPS. Additionally, the 17th meeting of the Board of Directors approved to amend the “Corporate Governance Best Practice Principles” on March 10, 2023.	No variances.
2. The company's shareholding structure and shareholders' equity		✓		(1) No significant variances
(1) Does the company stipulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures?		✓	(1) The Company has a stock affairs unit, a spokesperson, and an e-mail box to handle shareholder suggestions or disputes pursuant to the Company’s internal operating procedures. The complaint filing, reporting, and suggestion functions are also provided on the Company’s website. If legal issues are involved, the legal department will take over.	
(2) Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual control company?	✓		(2) As required, changes in the equity held by insiders are reported monthly, and during the period of book closures, the stock affairs agency provides the shareholder registry, to fully grasp the changes in the Company’s equity held by major shareholders.	(2) No variances.
(3) Does the company establish, implement and control the risk control and firewall mechanism between the enterprises?	✓		(3) The management of transactions with related parties, endorsement/guarantee, loaning of funds between the Company and the affiliates are all controlled by regulations.	(3) No variances.
(4) Does the company stipulate internal regulations and prohibit insiders from using the undisclosed information on the market to buy and sell securities?	✓		(4) The Company has established “Procedures for Handling Material Internal Information”, regulating that Company insiders and people who have obtained information shall not use undisclosed information of the market to buy or sell securities.	(4) No variances.

Evaluation Item	Implementation status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			At the fifteenth meeting of the Board of Directors of the Company on December 27, 2022, the amendment to the Operating Procedures for Handling Internal Major Information was approved.	
<p>3.the composition and duties of the board of directors</p> <p>(1) Does the board of directors formulate diversity policies, specific management objectives and implement them?</p>	✓		<p>(1)</p> <ul style="list-style-type: none"> ■The diversification policy of the Company’s Board of Directors is mainly to stipulate that the composition of the Board of Director should consider the diversification, and that appropriate diversification policies should be formulated based on its own operation, operation type and development needs, including but not limited to the following standards: <ol style="list-style-type: none"> 1. Basic conditions and values: Gender, age, nationality, culture, etc. 2. Professional knowledge and skills: Professional background. (such as law, accounting, industry, finance, marketing, law or environmental protection), professional skills, and other experiences of industry. ■The overall Board of Directors shall possess the following abilities: <ol style="list-style-type: none"> 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to conduct management administration. 4. Ability to conduct crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Ability to lead. 8. Ability to make policy decisions. ■ The current Board of Directors consists of seven directors, including 3 independent directors, and each director has rich experience and expertise in different fields. 	(1) No variances.

Evaluation Item	Implementation status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO		
(2) Does the Company voluntarily set up other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	<ul style="list-style-type: none"> ■ The Company’s directors concurrently serving as employees account for 29% and independent directors account for 43%. One independent director has a tenure of less than 3 years, two independent directors have a tenure of 7 to 8 years. One director is 70 years old or older, 2 directors are over 60 years old, 3 directors are between 50 to 60 years old, and one director is under 40 years old. ■ The Company values the gender equality in the composition of the Board of Directors, there are 7 directors, including 1 female director, achieve 14%, and the goal is to add one more female director in the Board of Directors for the next term. ■ The implementation of the diversification of the members of the Board of the Directors (Aug. 16, 2021, to Aug. 15, 2024) (Note 1). In addition, the “Board of Directors” page in the “Investors” section of the Company’s website discloses the Company’s Board of Directors diversification policy and implementation. 	(2) The Company currently has no other functional committees, and will implement such pursuant to laws and regulations in the future.
(3) Does the company stipulate the performance appraisal methods of the board of directors and their assessment methods, and conduct performance evaluations every year and regularly, as well as report the appraisal results to the board of director, and serving as the reference for directors’ remuneration and nomination of re-election?	✓		<p>(3)</p> <ul style="list-style-type: none"> ■ On August 12, 2020, the Board of Directors approved the amendments to the “Evaluation Procedures for the Board of Directors Performance”. At the end of each year, the stock affairs unit of the Finance Department assists in collecting information about Board activities and then implements the internal Board of Directors self-assessment. Questionnaires are provided for self-assessment to the 	(3) No variances.

Evaluation Item	Implementation status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	
			<p>Board of Directors, directors and all functional committees (including the Audit Committee and the Remuneration Committee), and after the statistical evaluation results are collected and reported to the Board of Directors as a basis for review and improvement. The overall Board performance evaluation results will be used as a reference for selecting or nominating directors (including independent directors), and outcomes of the individual directors’ performance evaluation will be used as the reference basis for determining their individual compensation in the future.</p> <p>■The measurements of the Board of Directors’ performance evaluation include the following five major aspects:</p> <ol style="list-style-type: none"> 1. The level of involvement in the operation of the Company. 2. Improvement of the quality of the Board of Directors’ decision making. 3. The formation and composition of the Board of Directors. 4. Election and continuing education of the directors. 5. Internal control. <p>■The measurements of individual Board members’ performance evaluation include the following six major aspects:</p> <ol style="list-style-type: none"> 1. Grasp of the goals and missions of the company. 2. Awareness of the duties of a director. 3. The level of involvement in the operation of the Company. 4. Operation and communication of internal relations. 5. The specialty and advanced studies of the directors. 6. Internal control. <p>■The measurements of functional committees’ performance evaluation include the following five major aspects:</p>

Evaluation Item	Implementation status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO		
(4) Does the company regularly assess the independence of the visa accountant?	✓		<p>1. The level of involvement in the operation of the Company.</p> <p>2. The recognition of the duty of the functional committee.</p> <p>3. The quality of the decision-making of the functional committee.</p> <p>4. The formation of the functional committee and the election of its members.</p> <p>5. Internal control.</p> <p>■The Company completed the 2022 self-assessment of the overall Board of Directors, individual Board members and functional committees’ performance at the end of Feb. 2023. The performance evaluation outcomes of the Company’s overall Board of Directors, individual board members, Audit Committees and Remuneration Committee are “significantly exceeding the standard” (90 points or more).</p> <p>■The results of the aforesaid evaluation were submitted to the 17th meeting of the Board of Directors for reporting on March 10, 2023, and the main improvement suggestions and the direction for continuous strengthening in the future were provided.</p> <p>■The Company has disclosed the “Evaluation Procedures for the Board of Directors Performance” on MOPS and the Company website; the results of such performance evaluation of the Board of Directors are also disclosed on the Company website.</p> <p>(4) According to Article 29 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, listed companies should choose certified public accountants with specialty, responsibility and independency. The Company should assess the independency of certified public accountants employed regularly (at least once a year). The results of the assessment of the CPAs’ service in 2022 have been deliberated and approved by the 10th meeting of the</p>	(4) No variances.

Evaluation Item	Implementation status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO		
			2nd Term Audit Committee on December 27, 2022, and the 15th meeting of the Board of Directors on December 27, 2022. Yi-Lian Han and Ti-Nuan Chien the accountant of KPMG, are in compliance with the assessment standards for independence and competence (Note 2).	
IV. Whether the listed company has set up competent and suitable number of corporate governance personnel, as well as corporate governance officer, responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to conduct business, assisting directors and supervisors to comply with laws and regulations, and handling matters related to meetings of the Board of Directors and shareholder meetings in accordance with the law, making board of directors and shareholders meeting minutes, etc.)?	✓		<ul style="list-style-type: none"> ■The Company appointed the company governance executives on June 24, 2021 as resolved by the Board of Directors, and changes were made to the company governance executives as approved by the Board of Directors on November 10, 2022. ■The major responsibilities of the Company Governance Executive are as following: <ol style="list-style-type: none"> 1. Handle matters related to the meetings of the board of directors and the shareholders' meeting in accordance with the law. 2. Prepare the minutes of the board of directors and shareholders' meetings. 3. Assist the inauguration and continuing education of the directors. 4. Provide the information required by the directors to carry out their business. 5. Report to the Board of Directors the review results concerning if nomination of the independent directors, and their eligibility at the time of election and during their terms of office comply with pertinent laws and regulations. 6. Handle matters about the changes in the directors. 7. Assist directors in complying with laws and regulations. ■In 2022, the company's Company Governance executive business execution focus are as following: <ol style="list-style-type: none"> 1. Assist the independent and general directors to perform their duties, provide required information and arrange for further education for directors: 	No variances.

Evaluation Item	Implementation status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO		
			<p>(1) Assist the functional committees and the Board of Directors in performing effectiveness evaluation, and the performance evaluation results for 2022 were reported at the meeting of the Board of Directors on March 10, 2023.</p> <p>(2) On August 10, 2022, the Audit Committee and the certified public accountants were arranged to communicate about the Company’s financial reports, including notes on the presence of the management and the closed-door meetings without the presence of the management.</p> <p>(3) Provide information on the directors’ refresher courses for the directors’ reference, or assist in arranging for or enrolling in courses.</p> <p>(4) Assist the management and the directors in maintaining communications, to facilitate the directors’ understanding of the Company’s business development.</p> <p>(5) Assist the independent and general directors in performing their duties, and provide requisite materials.</p> <p>2. Assist in complying with the rules of procedure and the decision-making rules of the Board of Directors, the Audit Committee and the shareholders’ meetings:</p> <p>(1) Assist the units in making proposals to the Board of Directors, and drafting the rules of procedure of the Board of Directors and the Audit Committee. When any directors have to avoid out of self-interest in any subject matters under discussion, they shall be reminded in advance. Give meeting notices by the legal deadlines, provide meeting materials and send minutes.</p>	

Evaluation Item	Implementation status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			<p>In 2022, 9 meetings of the Board of Directors and 6 meetings of the Audit Committee were convened.</p> <p>(2) Lawfully complete advance registrations, announcements and declarations before the shareholders’ meetings; send meeting notices of the shareholders’ meetings by the legal deadline.</p> <p>(3) Plan and arrange for the shareholders’ meetings, as well as meetings of the functional committees and the Board of Directors to increase the attendance rate.</p> <p>3. Company governance executives’ advanced studies in 2022 (Note 3).</p>	
5. Does the company establish communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder areas on the company's website, and respond appropriately to important corporate societies of concern to stakeholders, and responsibility issues?	✓		The Company’s website has an “Investors” section. Out of respect for the interests of investors, the Company regularly identifies the types of investors and establishes contact windows and communication channels for each investor. Through appropriate communication, the Company understands their reasonable expectations and needs for appropriately responding to important corporate social responsibility issues investors are concerned about.	No variances.
6. Does the company appoint a professional stock agency to handle the affairs of the shareholders' meeting?	✓		The Company has appointed the professional stock agency, the agency department of Capital Securities Corporation to handle the affairs of the shareholder meeting.	No variances.
7. Information disclosure				
(I) Has the company set up a website to disclose financial and corporate governance information?	✓		(I) The Company has set up a corporate website to disclose finance, business and corporate governance related information in a timely manner pursuant to relevant laws and regulations.	(I) No variances.
(II) Does the Company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of	✓		(II) The Company’s corporate website is mainly in Chinese. The relevant units are in charge of the collection of the Company’s information and the disclosure of material matters, and there are spokespersons and	(II) No variances.

Evaluation Item	Implementation status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>company information, implementing a spokesperson system, posting the corporate briefing process on the Company website, etc.)?</p> <p>(III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarter financial reports and monthly operating status reports before the stipulated deadlines?</p>		✓	<p>deputy spokespersons to implement the spokesperson system. The Company uploads the relevant information on the website after corporate briefing conferences.</p> <p>(III) Although the Company does not announce and declare the financial report within two months after the end of the accounting year, it announces and declare the financial reports of the first, second, and the third quarter and the monthly operational situation early before the deadline.</p>	(III) No significant variances
<p>XIII. Does the Company have any other important information that can help understand the operation of corporate governance (including but not limited to employees’ rights, employee care, investor relations, supplier relationships, rights and interests of stakeholders, continuing education for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company’s purchase of liability insurance for directors and supervisors, etc.)?</p>	✓		<p>The Company has other important information helpful to understand the operation of corporate governance:</p>	No variances.

Evaluation Item	Implementation status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	
<p>(I) Employee interests: The Company has always been people-oriented, observing all relevant labor laws and regulations, protecting the legitimate interests of employees, establishing a complete management system for employee benefits, occupational safety and health, and training, while distributing performance bonuses, year-end bonuses and employee remuneration based on operating results every year, to incorporate the personal interests of employees into interests of the Company, creating a belief of co-prosperity and coexistence.</p> <p>(II) Employee welfare: The Company appreciates the safety and health of employees, provides health care and assistance services. Employees are entitled to the group insurance and annual health checks; the welfare committee and various clubs were established to organize various events to promote employee interactions.</p> <ol style="list-style-type: none"> 1. Work-life balance: Subsidies for club activities and travelling subsidies. 2. Parenting support: Parental leave without pay, contracting to registered babysitting institutions and breastfeeding rooms. 3. Livelihood support: Group insurance for employees and their families, wedding subsidies, maternity subsidies, children’s education subsidies, new year gifts, birthday allowance, employee injury and illness condolences and care, and subsidies for hospitalization and medical care. 4. Work assistance: Health checks and meal subsidies. 5. Other: Year-end parties, recognition for senior staff and preferential offers for employees at contracted merchants. <p>Note: The aforesaid benefits include the Company and the Employee Welfare Committee.</p> <p>(III) Investor relations:</p> <ol style="list-style-type: none"> 1. The Company has a spokesperson and deputy spokesperson, responsible for the Company’s external communications. 2. The Company announces finance, business, and material information on the Company website and MOPS immediately, so that investors may fully understand the Company’s development direction and strategic orientation, maximizing the interests of shareholders. 3. The Company’s general shareholder meetings provide shareholders with electronic ways to exercise their voting rights. When the shareholder meeting is held, extemporary motions are avoided as much as possible, in order to protect the interests of shareholders using electronic communication to vote. <p>(IV) Supplier relationships: The Company is committed to growing and fulfilling corporate social responsibilities with suppliers, and innovating and improving quality together. The Company keeps good relations with suppliers and ensures stable contract implementation.</p> <ol style="list-style-type: none"> 1. The Company has set up the “Management Procedures for Suppliers”. New suppliers are reviewed in advance, and only those who pass the review may be traded with; if there is no transaction within three years, the qualification of qualified suppliers will be cancelled, and only after review and confirmation may they become qualified suppliers again. The review includes the supplier’s capacity, scale, industry reputation and financial credit, among other things. 			

Evaluation Item	Implementation status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	
<p>2. Supplier appraisal/management:</p> <p>For qualified suppliers, the procurement unit shall fill in the “Supplier Appraisal Form” before the end of January and July each year for suppliers with transaction amounts of NT\$200,000 (inclusive) or actual transaction performances of more than six times (inclusive). The forms will be evaluated by relevant units once. The appraisal includes delivery, quality, cooperation/service, and price of the supplier’s products, require the suppliers to comply with the rules on safety, hygiene, environmental protection and human rights. Jointly commit to enhancing corporate social responsibilities and establishing partnerships for sustainable development.</p> <p>3. The procurement unit has completed “Supplier Appraisal Report” on Jan. 21, 2022, and Jul. 20, 2022, respectively, and the results of the appraisal are all A-level qualified vendors.</p> <p>(V) Management policy for project contractors:</p> <p>1. To procure the contract manufacturers to observe the rules on environmental protection, safety or hygiene, the Company minimizes the potential harms to the general public, undertakers, on-site colleagues and environment. In all of its Engineering Contracts, the Company specifies the mandatory requirement that the contract manufacturers shall follow the rules on labor safety and hygiene during the construction. The evaluation shall cover project quality, project progress, sense of responsibility, coordinated cooperation, shift scheduling, obedience and financial strengths, etc.</p> <p>2. Evaluation of contract manufacturers:</p> <p>After acceptance upon project completion, the Construction Department shall fill in the Manufacturer Evaluation Form, and further evaluate the contract manufacturers together with related departments. Require the suppliers to comply with rules regarding safety, hygiene, environmental protection and human rights. Jointly commit to enhancing corporate social responsibilities and establishing partnerships for sustainable development.</p> <p>3. In 2022, the Company acquired “Shihengbin - Shangye District”) and “Shihengbin - Xingye District”, but the Construction Department didn’t complete the acceptance inspection, so the contract manufacturers were not subject to the manufacturer evaluation.</p> <p>(VI) Rights of stakeholders:</p> <p>In order to fulfill the promises to stakeholders, and to respect and protect their legitimate interests, the Company has established various communication and complaint filing channels, and upholds the principle of good faith to handle and respond immediately. By establishing communication channels, the Company understands the issues that stakeholders are concerned about and immediately responds to their needs in a proactive manner, and takes such as a reference for the future direction of corporate social responsibility. In addition, the “Communication and Response” page of the “Investors” section on the Company website discloses the performance of communication with stakeholders. The communication with stakeholders in 2022 was reported at the 15th meeting of this term of the Board of Directors on December 27, 2022.</p>			

Evaluation Item	Implementation status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	

(VII) Continuing education of the directors:

Pursuant to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”, the Company provides continuing education courses to the directors from time to time. Continuing education in 2022 is as follows:

Job Title	Name	Date of continuing education	Held by	Training Program	Duration (hour)
Independent Director	Li, Wen-Cheng	2022/04/22~ 2022/04/22	Taiwan Institute for Sustainable Energy	Sustainable Net-zero Summit for the 30th Anniversary of New Taiwan - Prudent Net-zero Efforts for Sustainable Development in 2023	3 hours
		2022/07/12~ 2022/07/12	Taiwan Corporate Governance Association	Audit Committee’s Sharing of Advanced Practices - Deliberation over M&A and Directors’ Responsibilities	3 hours
		2022/09/20~ 2022/09/20	Taiwan Corporate Governance Associatio	Ten Classes of Company Governance	3 hours
		2022/09/29~ 2022/09/29	Taiwan Stock Exchange Corporation, Taipei Exchange	Publication of the Reference Guideline for Exercising of Powers by the Independent Directors and the Audit Committee, Promotion Meetings of the Directors and the Supervisors	3 hours
		2022/10/12~ 2022/10/12	Securities & Futures Institute	2022 Annual Insider Equity Transaction Legal Compliance Publicity and Briefing Session	3 hours
Independent Director	Yen, Yun-Chi	2022/04/22~ 2022/04/22	Taiwan Institute for Sustainable Energy	Sustainable Net-zero Summit for the 30th Anniversary of New Taiwan - Prudent Net-zero Efforts for Sustainable Development in 2023	3 hours

Evaluation Item	Implementation status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	

Job Title	Name	Date of continuing education	Held by	Training Program	Duration (hour)
Independent Director	Yen, Yun-Chi	2022/05/12~ 2022/05/12	Jointly held by Taiwan Stock Exchange Corporation, Alliance Advisors and Taiwan Corporate Governance Association	Online Forum of International Double Summit	2 hours
		2022/09/29~ 2022/09/29	Taiwan Stock Exchange Corporation, Taipei Exchange	Publication of the Reference Guideline for Exercising of Powers by the Independent Directors and the Audit Committee, Promotion Meetings of the Directors and the Supervisors	3 hours
Independent Director	Chen, Yung-Chang	2022/08/18~ 2022/08/18	Taiwan Institute of Directors	SAP NOW Taiwan Co-creation of Sustainable and Intelligent Enterprises	3 hours
		2022/10/12~ 2022/10/12	Securities & Futures Institute	2022 Annual Insider Equity Transaction Legal Compliance Publicity and Briefing Session	3 hours

(VIII) Execution of risk management policies and risk measuring standards:

I. Risk Management Policy

In order to strengthen corporate governance, improve operations and sustainable development, and establish a comprehensive risk management culture as the basis for the company's risk management, the company has passed the "Risk Management Measures" by the Board of Directors on Oct. 21, 2021. As the highest guiding principle of the company's risk management.

II. Risk Management Scope

The risk management of the company at all levels includes "Strategic Deployment Risk", "Operational Management Risk", "Financial Operation Risk", "Hazardous Event Risk" and "Other Risks", etc., identification, measurement, monitoring and reporting of various risks, etc. The process should be adjusted in a timely manner in accordance with changes in the business environment, business and operational activities.

Evaluation Item	Implementation status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO		
<p>III. Risk Management Organization</p> <p>1. The board of directors</p> <p>The board of directors of the company is the highest guiding unit of the company's risk management. With the goal of complying with laws and regulations, promoting and implementing the company's overall operational risk management, it clearly understands the risks faced by sustainable operation and ensures the effectiveness of risk management.</p> <p>2. Conduct management meeting</p> <p>The supervisory meeting or operation meeting chaired by the president or the relevant operation supervisor is responsible for reviewing and controlling the risk assessment and contingency command of various plans and projects initiated by the competent departments.</p> <p>3. Responsible department</p> <p>Heads of departments and divisions are responsible for risk management, and are responsible for analyzing, monitoring and preventing relevant risks within their subordinate units to ensure the effective implementation of risk control mechanisms and procedures.</p> <p>4. Audit unit</p> <p>Responsible for supervising all competent and responsible departments to follow the approval authority and related risk management methods and procedures to ensure the risk management awareness and implementation effectiveness of all employees.</p> <p>IV. Implementation status</p> <p>The Board of Directors of the Company passed and formulated the "Risk Management Measures" on Oct. 21, 2021, and on Dec. 27, 2022, reported the 2022 risk management operation to the 15th meeting of this term of the Board of Directors. The relevant contents are briefly described as follows:</p> <p>1. Strategic risk: According to the changes in the construction industry, set strategic goals, and cooperate with budget control to control the company's business direction. Set strategic goals and budgets once in year 2022.</p> <p>2. Operational risks: In addition to the Group’s executive meetings held on Tuesdays, the Company’s executive meetings are held on Wednesdays. In 2022, at least more than 40 meetings were held. The topics for discussion are summarized as follows:</p>				

Evaluation Item	Implementation status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>3. Financial risk: The company does not engage in high-risk investment, and has also formulated relevant measures such as "operational procedures for loaning funds to others" and "operational procedures for endorsement guarantees" to reduce financial risks.</p> <p>4. Legal risk: In operating activities, in addition to complying with relevant laws and regulations, review and review the signed contracts in accordance with procedures, their legal validity, whether there are omissions, and inadequate regulations, so as to maintain the best interests of the company.</p> <p>5. Information security risk: In 2022, the company did not find any major cyber attacks or incidents that had or may have a material adverse impact on the company's business and operations, nor was it involved in any legal cases or regulatory investigations related to this, On Dec. 27, 2022, the company's "information security risk management situation" was reported to the 15th meeting of this term of the board of directors.</p> <p>6. Hazard risk: The COVID-19 epidemic is spreading globally, and the response measures taken by the Group Management Department in conjunction with the Company's Management Department are as follows:</p> <p>(1)The Administration Department of the Group shall irregularly update pertinent governmental anti-epidemic rules, and inform all employees of the Group by email.</p> <p>(2) The Company’s anti-epidemic measures shall be subject to rolling adjustments according to the epidemic situation and government rules. Inform all employees of the Group of such adjustments by email.</p> <p>(3) In 2022, the Administration Department of the Group sent 8 emails on epidemic prevention to the employees.</p> <p>(IX) Implementation of customer policy: The Company has set up a dedicated customer service unit and staff to deal with issues related to customers, and maintains good relationship with customers for creating profit.</p> <p>(X) The Company’s purchase of liability insurance for the directors:</p> <p>1. The Company obtains directors’ liability insurance with respect to liabilities resulting from the exercise of their duties during their terms of directorship.</p> <p>2. The coverage of the Company’s “Directors’ Liability Insurance” for 2021 and 2022 has been reviewed and approved in 31st meeting of last term of the Board of Directors on May 7, 2021, and the 9thst meeting of this term of the Board of Directors on May 9, 2022. The insurance amount is US\$3 million, and the insurance application has been completed.</p> <p>IX. Please state the improvements made to the items in the corporate governance evaluation results issued in the most recent year by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for the items not yet improved.</p>				

Evaluation Item	Implementation status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO		
<p>1. Already improved:</p> <p>① Question 2.15: The company should regularly (at least once) every year to invite certified accountants to attend the audit committee to communicate and discuss the review or audit results of quarterly and annual financial reports, important accounting standards or interpretation letters, and updates on securities laws and tax laws.</p> <p>2. Priority to enhance according to items that have not yet been improved:</p> <p>① Question 4.4: The Company will prepare the sustainability report and upload it to MOPS and the Company’s website by the end of September 2023 based on the GRI released by GRI.</p>				

Note 1: The implementation of the diversification of members in the Board of the Directors (Aug 16, 2021, to Aug 15, 2024):

Job Title	Name	Formation					Experience in industry / specialty									
		Nationality	Gender	The employee of the company	Age	Seniority of tenure as independent director	Financial Accounting	Law	Marketing	Operational Judgment	Business Management	Crisis Management	Knowledge of the Industry	Perspective of Global Market	Leadership	Capability of Decision
Chairperson and Representative of Legal Person Director	Tsai, Chung-Ping (Note 1)	Republic of China	Male		50~60		√		√	√	√	√	√	√	√	√
Representative of Legal Person Director	Lin, Wei-Chum (Note 1)	Republic of China	Male	√	50~60		√		√	√	√	√	√	√	√	√
Chairperson and Representative of Legal Person Director	Chiu, Ping-Tsee (Note 1)	Republic of China	Male	√	50~60		√		√	√	√	√	√	√	√	√
Representative of Legal Person Director	Cheng Chiao-Wein	Republic of China	Female		30~40		√		√	√	√	√	√	√	√	√
Representative of Legal Person Director	Chen, Kuo-Yen	Republic of China	Male		50~60				√	√	√	√	√	√	√	√
Independent Director	Yen, Yun-Chi	Republic of China	Male		60~70	>3	√		√	√	√	√	√	√	√	√
Independent Director	Li, Wen-Cheng	Republic of China	Male		70~80	>3		√		√	√	√	√	√	√	√
Independent Director	Chen, Yung-chang	Republic of China	Male		60~70	<3		√		√	√	√	√	√	√	√

Note1 : As a corporate shareholder, Da-Li Investment Co., Ltd appointed Lin, Wei-Chum to act as representative and director in place of Tsai, Chung-Ping on April 10, 2023. As a result, Tsai, Chung-Ping was removed from the post as Chairperson. At the meeting of the Board of Directors on April 10, 2023, Chiu, Ping-Tse was elected to be the Chairperson. To distinguish powers of the Chairperson and the President, manager Lin, Wei-Chum was promoted as the President from April 10, 2023.

Note 2: Assessment criteria for CPAs' independence:

Item	Assessment Indicators	Assessment Outcomes	
		YES	NO
1	Whether the CPAs have not provided the Company's audit service for seven consecutive years	✓	
2	Whether the CPAs have no direct or significant indirect relationship involving financial interest with the Company	✓	
3	Whether the CPAs do not have financing or guarantee activities with the Company or the Company's directors	✓	
4	Whether the CPAs are not affected by the possibility of the Company's business loss	✓	
5	Whether the CPAs do not have any close business relationship with the Company	✓	
6	Whether the CPAs do not have any potential employment relationship with the Company	✓	
7	Whether the CPAs do not have any service fees related to the Company and the audit cases or possible fees	✓	
8	Whether the CPAs and its audit service team members are not been currently serving or have within the last two years served as directors, managerial officers or positions that have a significant impact on the audit case in the Company.	✓	
9	Whether the non-audit services provided by the CPAs to the Company do not directly affect important items of the audit case	✓	
10	Whether the CPAs do not intermediate the shares or other securities issued by the Company	✓	
11	Whether the CPAs have not acted as the Company's defender or represented the Company's defense against any legal proceedings with third parties or other disputes	✓	
12	Whether the CPAs are not related to the Company's directors, managers or persons who have significant influence on the audit case	✓	
13	Whether the CPAs have not served as directors or managerial officers, or positions having a significant influence on the audit case in the Company within a year of resignation	✓	
14	Whether the CPAs have not received valuable gifts from the Company or its directors or managerial officers	✓	
15	Does the Company not require CPAs to accept improper options made by management in accounting policies or improper disclosures in financial statements?	✓	
16	Whether the Company has not put pressure on CPAs to reduce professional service fees and thus prompt them to improperly reduce the audit tasks that should be performed	✓	

Assessment Outcomes:

After the assessment, the certified public accountants the company appoints all do not have cases described above. We can make sure that the certified public accountants are correspond with the rules of independency, and the financial reports written by them can be trusted.

Note3: Company governance executives' advanced studies in 2022:

Date of continuing education	Held by	Training Program	Duration (hour)
2022/05/12	Jointly held by Alliance Advisors and Taiwan Corporate Governance Association	Online Forum of International Double Summit	2 hours
2022/06/07	Securities & Futures Institute	How shall the directors supervise and guide corporate risk and crisis management	3 hours
2022/06/17	Securities & Futures Institute	Financial information which is most easily ignored by directors	3 hours
2022/07/22	Securities & Futures Institute	Briefly talk about emerging financial/technological crimes and anti-money laundering at the company level	3 hours
2022/08/25	Securities & Futures Institute	Brief introduction and case analysis on company insiders' short-term transactions	3 hours
Total hours of advanced studies in the current year			14 hours

(IV) Composition, duties, and operation of the Remuneration Committee

1. Remuneration Committee Member Information

April 15, 2023

Identity	Name	Professional Qualifications and Experience	Independence Situation	No. of other listed companies working as remuneration committee member of
Independent Director	Li, Wen-Cheng (Convener)	<ul style="list-style-type: none"> ■ Independent director / Remuneration Committee Convener / Audit Committee Convener ■ Retired judge (retired from Taiwan High Court in 2006), qualified as judge and lawyer for more than 5 years, and has rich experience in legal affairs ■ Past Experience <ul style="list-style-type: none"> President of Taiwan High Court President of Hualien Local Court President of Taitung Local Court President of Penghu Local Court His legal expertise covers administrative law, fair trade law, mass communication law, commercial litigation, criminal litigation, intellectual property litigation, etc. The company expects to rely on his expertise in legal talents and commercial litigation to assist the company in mastering the overall legal aspects during the operation layout, so as to reduce legal risks and improve operating efficiency. ■ None of the provisions of Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Him, his spouse, and relatives within the second degree of kinship do not serve as directors, supervisors or employees of the company or its affiliated companies. Independent director Li, Wen-cheng concurrently serves as an independent director and Remuneration Committee member of the parent company, does not apply to this restriction. 2. The person, the spouse, the relatives within the second degree of relatives do not hold the number of shares in the company 3. The members of the Remuneration Committee maintain their independence within the scope of execution of their business, and shall not have direct or indirect interests in the company. They have no Circumstances stipulated in Article 6, Paragraph 1 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" in the two years prior to their appointment and during their term of office. 4. The person has not provided business, legal, financial, accounting and other services to the Company or its affiliated companies for the last 2 years and received compensation. 	1

Identity	Name	Qualification Professional Qualifications and Experience	Independence Situation	No. of other listed companies working as remuneration committee member of
Independent Director	Yen, Yun-Chi	<ul style="list-style-type: none"> ■Independent director / member of Remuneration Committee / member of Audit Committee ■With more than 5 years of profound construction and sales industry-related business background, and rich practical experience in business and accounting ■Primary current position Chairman Tungyue Advertising Co., Ltd. ■None of the provisions of Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. The daughter of Remuneration Committee member Yan, Yun-qi has been employed by the company since January 1, 2022, but is not the manager of the company, so it complies with the “Regulations Governing Appointment of Independent Directors Compliance Matters for Public Companies”. 2. The person, the spouse, the relatives within the second degree of relatives do not hold the number of shares in the company 3. The members of the Remuneration Committee maintain their independence within the scope of execution of their business, and shall not have direct or indirect interests in the company. They have no Circumstances stipulated in Article 6, Paragraph 1 of “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange” in the two years prior to their appointment and during their term of office. 4. The person has not provided business, legal, financial, accounting and other services to the Company or its affiliated companies for the last 2 years and received compensation. 	0

Qualification		Professional Qualifications and Experience	Independence Situation	No. of other listed companies working as remuneration committee member of
Identity	Name			
Others	Cai, Chi-Chan	<ul style="list-style-type: none"> ■ Member of the Remuneration Committee ■ Qualified as a lawyer for more than 5 years, with rich experience in legal affairs ■ Primary current position Attorney of Hong-Li Law Firm Sole mediator of Taichung City Government Labor Bureau ■ None of the provisions of Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Him, his spouse, and relatives within the second degree of kinship do not serve as directors, supervisors or employees of the company or its affiliated companies. The Remuneration Committee member Cai, Chi-Chan concurrently serve as the Remuneration Committee member of the parent company, does not apply to this restriction. 2. The person, the spouse, the relatives within the second degree of relatives do not hold the number of shares in the company 3. The members of the Remuneration Committee maintain their independence within the scope of execution of their business, and shall not have direct or indirect interests in the company. They have no Circumstances stipulated in Article 6, Paragraph 1 of “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange” in the two years prior to their appointment and during their term of office. 4. The person has not provided business, legal, financial, accounting and other services to the Company or its affiliated companies for the last 2 years and received compensation. 	1

2. Authority of the Remuneration Committee

The remuneration committee of the Company convenes at least twice a year, and may hold meetings at any time as needed. The main responsibilities and annual work focus are to formulate and regularly review the policies, systems, standards and structures of directors and managers' performance evaluation and remuneration, and regularly evaluate and determine the remuneration of directors and managers.

3. Remuneration Committee Operation Status

- (1) The Company's Remuneration Committee is composed of three members.
- (2) The term of office of the fifth term of members: From Sep. 7, 2021 to Aug. 15, 2024, the Remuneration Committee held 4 meetings (A) in the most recent year (2022). The qualifications and attendance of the members are as follows:

Job Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual no. of meetings attended (B/A)	Remarks
Convener	Li, Wen-Cheng Independent Director	4	0	100.00%	
Committee member	Yen, Yun-Chi Independent Director	4	0	100.00%	
Committee member	Cai, Chi-chan	3	1	75.00%	
Remuneration Committee Member Average Actual Attendance Rate (%) for 2022 (Total actual attendances / total required attendances)				91.67%	
Other items to be recorded:					
I. Subjects and resolutions of the proposals of the Remuneration Committee during 2022 and 2023 as of March, and the Company's handling of the opinions of the Remuneration Committee:					
Remuneration Date of the Committee meeting	Motion Contents	Remuneration Committee Resolution	The Company's treatment to the opinions of the Remuneration Committee	The board of directors Date	The board of directors Resolution
2022.03.14 3rd meeting of the 5th term	Proposal to distribute remuneration to the Company's employees and directors for 2021.	All attending members approved	Submitted to the Board of Directors for resolution	2022.03.14 7th meeting of the term	All attending directors approved
2022.04.01 4th meeting of the 5th term	Proposal for appointments of the Company's staff.	All attending members approved	Submitted to the Board of Directors for resolution	2022.04.01 8th meeting of the term	All attending directors approved
2022.07.15 5th meeting of the 5th term	2022 salary adjustment for managerial officers	All attending members approved	Submitted to the Board of Directors for resolution	2022.08.10 11th meeting of the term	All attending directors approved

Remuneration Date of the Committee meeting	Motion Contents	Remuneration Committee Resolution	The Company's treatment to the opinions of the Remuneration Committee	The board of directors Date	The board of directors Resolution
2022.12.27 6th meeting of the 5th term	Proposal to distribute 2021 directors' remuneration.	All attending members approved	Submitted to the Board of Directors for resolution	2022.12.27 15th meeting of the term	All attending directors approved
2023.01.17 7th meeting of the 5th term	Proposal to distribute 2021 managerial officers' remuneration.	All attending members approved	Submitted to the Board of Directors for resolution	2023.01.17 16th meeting of the term	All attending directors approved
	Proposal to disburse the 2022 annual performance bonus of the managerial officers	All attending members approved	Submitted to the Board of Directors for resolution		All attending directors approved
2023.03.10 8th meeting of the 5th term	Proposal to distribute remuneration to the Company's employees and directors for 2022.	All attending members approved	Submitted to the Board of Directors for resolution	2023.03.10 17th meeting of the term	All attending directors approved

II. If the Board of Directors did not adopt or amend the suggestions of the Remuneration Committee, please indicate the date and session number of the Board meeting, the contents of the motion, the result of the resolution and the Company's handling of the suggestions of the Remuneration Committee (if the remuneration passed by the Board is better than the suggestion of the Remuneration Committee, please state the difference and the reasons): No such situation.

III. If any member had objections or reservations about the resolutions of the Remuneration Committee and there is a record or a written statement, please indicate the date and session number of the Remuneration Committee meeting, the contents of the motion, all the opinions of the members and how the opinions were handled: No such situation.

(V) Facilitate Sustainability Development implementation and Differences with the Sustainability Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
I. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, and the board of directors authorizes the senior management to handle and supervise the situation to the board of directors?	✓		<p>■In order to improve the management of sustainable development, the company establishes a governance structure to promote sustainable development, and assigns the management department as a part-time unit to promote sustainable development, responsible for the proposal and promotion of sustainable development policies, systems or related management guidelines and specific promotion plans. Implementation, and report to the board of directors regularly, and the implementation situation was reported at the 15th meeting of this term of the board of directors on Dec. 27, 2022.</p> <p>■Based on the report of the management department, the board of directors of the company reviews the implementation results, reviews the implementation results when necessary and requires improvement to ensure that the sustainable development strategy is fully implemented in the company's daily operations.</p>	No variances.

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
II. Does the company assess the risk of the environment, society, and issue of management of the company and set up a policy or strategy of risk management, according to principle of importance? (note 1)	✓		<ul style="list-style-type: none"> ■ This disclosure covers the company's sustainable development performance at its main bases from January 2022 to December 2022. The risk assessment boundary is mainly based on the company. ■ The Group upholds the concepts and material principles of “Ethical Principles” and “Sustainable Operations”. While pursuing the sustainable operations and profitability of the enterprise, it facilitates its Sustainable Development and values the interests of its stakeholders. The Company emphasizes the environmental, social and governance issues and incorporates them into the Company’s management policies and operating activities to achieve the goal of sustainable operations. ■ Based on the assessed risks, formulate relevant risk management policies or strategies such as Note 2. 	No variances.
3. Environmental Issue (1) Does the company set up an appropriate environmental management system, according to the feature of the industry?	✓		(1) Green buildings: The Company emphasizes energy saving for buildings in the usage stage. Many projects have obtained green building candidate certificates, integrating greening design, base water	(1) No variances.

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
(2) Does the company dedicate in promoting efficiency of the usage of any energy, and use renewable materials that have a low impact on the environment?	✓		retention, energy-saving outer shells, and energy-saving illumination design into the daily life of users, to realize the concept of energy saving during the life cycle of buildings. Participated in selection of green buildings: Silver grade - green building certificates for candidate buildings in “Shihengbin - Xingye District” (Keelung), “Dream City” (Keelung), and Jing’an Wenhui (Zhonghe Area, New Taipei City).	(2) No variances.
(3) Does the company assess the risks and chances that the climate change makes to the present and the future of the company, and adapt measures against the issue?	✓		(2) Use advanced technologies to introduce building information modeling into the construction culture. Through technical applications, various sorts of analysis information are effectively integrated, and the construction process is under control, and thus the Company effectively improves the construction efficiency and greatly reduces errors and the waste of energy and resources. (3) In response to the issues of global warming and climate change which are getting more serious every day, the government is actively promoting energy saving and carbon	(3) No variances.

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			<p>reduction measures and the use of green energy sources to reduce emission of carbon dioxide. For the comfort and health of our citizens, and to reduce the impact on the environment of manufacturing building materials and promote the upgrade of the traditional construction material industry, the company shall actively take measures in response to the issue of climate change and put in effort into developing green building techniques to improve the level of green buildings, in hope of building up an energy saving and carbon emission reducing housing environment. Planning construction cases with energy saving and carbon emission reducing products, such as building materials, energy saving machinery, housing facilities and new energy systems applied in green buildings. To implement government policy, the Company goes to great lengths in environmental protection to put corporate social responsibility into practice.</p>	

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
(4) Does the company calculate the emission of green house gas, water consumption, and the amount of waste, and set up a managerial policy of reducing green house gas, reducing using water, or other waste.	✓		<p>(4) The Company makes statistics on the information regarding the indirect greenhouse gas emissions generated by the power consumption, water consumption and construction site construction waste total weight in office areas, to serve as basis for developing management measures regarding energy saving, carbon reduction, greenhouse gas reduction, water reduction, etc. The company's statistics on the greenhouse gas emissions, water consumption, and total weight of construction waste in the office area in the past two years are as Note 3.</p> <p>The company continues to promote energy-saving solutions such as "Energy Saving and Carbon Reduction", and the goal of greenhouse gas emissions in the office area in 2023 is to keep below 100 metric tons.</p> <p>The construction wastes produced in the construction processes of the Company's projects somewhat vary with the construction progress. The Company's strategies for managing construction wastes particularly highlight lawful collection, transportation, reduction and recycling of wastes.</p>	(4) No variances.

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>4. Social Issues</p> <p>(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	✓		<p>(1) The company follows the spirit of international human rights conventions, abides by domestic labor and related laws and regulations, supports and abides by the United Nations' Universal Declaration of Human Rights, the "Guiding Principles for Business and Human Rights", the "Global Covenant" and the International Labour Organization's "Basic Basics of Work" The principles enshrined in international human rights conventions such as the Declaration of Principles and Rights, such as freedom of association, the right to collective bargaining, care for vulnerable groups, prohibition of child labor, elimination of all forms of forced labor, elimination of employment and employment discrimination, etc., and affirmation of human resource utilization policies. There is no discrimination based on gender, race, socioeconomic class, age, marital and family status, etc.</p>	<p>(1) No variances.</p>

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
(2) Does the company set up and practice the measures of employees’ welfare (including payment, vacation, and others), and adjust the payment according to the performance of the operation?	✓		<p>The company has also formulated various management regulations related to corporate governance, procurement and personnel, which clearly regulate the requirements related to human rights policies, and identify important human rights issues as the basis for promoting risk mitigation measures.</p> <p>For the Company’s human rights policies and proposals, see Note 4.</p> <p>(2) The Company has working rules and related personnel management regulations, which cover the basic salaries, working hours, leaves, pension payments, labor and health insurance benefits, and occupational accident compensation for the employees hired by the Company; all of these are compliant with the relevant provisions of the Labor Standards Act. The Employee Welfare Committee is established to handle various welfare matters through the welfare committee elected by the employees; the Company’s remuneration policy is to determine remunerations based on personal ability, contribution to the</p>	(2) No variances.

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
(3) Whether the company offers both safe and healthy working environment for its employees, and put into practice of safety and health education on a regular basis or not?	✓		<p>Company and performance, correlating positively to the operating performance.</p> <p>(3) The Company provides staff a safe and healthy work place. There are air conditioning systems, equipment providing sufficient light, work places good for eyes and ears, evacuation routes and emergency exits, regular elevator maintenance, fire protection equipment, periodically and irregularly sanitizing and disinfection of the work place, water testing, and entry control. Employee health checks are conducted every year, and health consultation lectures are arranged. The health check items are added and adjusted according to employee needs every year, so that employees better understand and pay attention to their own health. In addition, the Company has the Employee Welfare Committee responsible for handling various welfare measures and subsidies for employees. The Company also handles labor insurance, national health insurance and group</p>	(3) No variances.

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			<p>insurance pursuant to laws, to protect the interests of employees and fully support the balanced development of their bodies, minds and souls.</p> <p>■Implement as following:</p> <p>I. Access security</p> <ol style="list-style-type: none"> 1. The company building is equipped with a strict access control monitoring system during the day and at night. 2. The company signs contracts with security companies at night and on holidays to maintain office security. <p>II. Maintenance and inspection of various equipment</p> <ol style="list-style-type: none"> 1. Carry out elevator equipment maintenance once a month. 2. According to the provisions of the Fire Protection Law, outsource fire inspections every year. 3. Conduct a water quality test once a year. 4. Do water dispenser maintenance every 3 months. <p>III. Physiological Hygiene</p> <ol style="list-style-type: none"> 1. Employee health checks are conducted every year, and health consultation lectures are arranged. The health check items are added and adjusted 	

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			<p>according to employee needs every year, so that employees better understand and pay attention to their own health.</p> <p>2. Hygienic working environment: no smoking is allowed in the office, and the office environment is cleaned and disinfected more than once a year.</p> <p>IV. Mental health</p> <p>1. Sexual harassment prevention: investigate and punish according to the "Employee Complaint Management Measures" established by the company.</p> <p>2. Quarterly magazines: The Group issues quarterly magazines to provide a channel for employees to write and publish and provide opinions to the company.</p> <p>V. Insurance and medical condolences</p> <p>1. Insure labor insurance and health insurance in accordance with the law, and provide employee group insurance every year and allow family members to insure medical insurance and cancer insurance at preferential rates.</p>	

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
(4) Whether an effective career development training project is available for employees or not?	✓		<p>2. Employee Welfare Committee, responsible for handling various welfare measures and subsidies for employees.</p> <p>(4) The Company takes long-term talent cultivation as the top priority, and plans and arranges various internal and external training programs based on the needs of the organization and departments and the individual needs of employees, to improve and update employees’ knowledge and skills and establish abundant human capital. For the development of career competence of employees, the development of core professional competence and the balanced development of employees’ body, mind and soul shall be both taken into account. For advanced studies and training of the employees in 2022, please refer to Page 153-154 of the annual report.</p>	(4) No variances.
(5) Whether the health and security of the customers, privacy of the clients, and marketing and indication issues are following the rules, and related consumer or customers protection policies and grievance procedures are	✓		(5) The Company has formulated relevant policies to protect the interests of consumers, such as signing sales contracts conforming to the Ministry of the Interior’s	(5) No variances.

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>available by the company?</p> <p>(6) Whether the company set up a managerial policy of supplier, asking them to follow the rules, such as environmental rules, workplace safety and health, and labor right?</p>	✓		<p>standardized contract specifications, complying with marketing and promotion regulations, communicating with customers for their customized interior alterations, voluntary construction quality inspections and repairs, among other things, to ensure consumer rights. The Company maintains good communication channels with customers, and has dedicated departmental customer service personnel, who comply with confidentiality protocols and the Personal Information Protection Act for customer privacy. The Company’s website has an Investors section, disclosing policies to protect consumer rights and provide a complaint filing channel.</p> <p>(6) 1.The Company has set up the “Management Procedures for Suppliers”. New suppliers are reviewed in advance, and only those who pass the review may be traded with; if there is no transaction within three years, the qualification of</p>	(6) No variances.

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			<p>qualified suppliers will be cancelled, and only after review and confirmation may they become qualified suppliers again. The review includes the supplier’s capacity, scale, industry reputation and financial credit, among other things.</p> <p>2. For qualified suppliers, the procurement unit shall fill in the “Supplier Appraisal Form” before the end of January and July each year for suppliers with transaction amounts of NT\$200,000 (inclusive) or actual transaction performances of more than six times (inclusive). The forms will be evaluated by relevant units once. The appraisal includes delivery, quality, cooperation/service, and price of the supplier’s products. In addition, the supplier must satisfy relevant conditions such as labor, environmental and human rights. In case of violations, the Company may terminate or cancel the contract at any time, thereby urging all suppliers to fulfill their corporate social responsibilities.</p>	

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			<p>3. To procure the contract manufacturers to observe the rules on environmental protection, safety or hygiene, the Company minimizes the potential harms to the general public, undertakers, on-site colleagues and environment. In all of its Engineering Contracts, the Company specifies the mandatory requirement that the contract manufacturers shall follow the rules on labor safety and hygiene during the construction. The evaluation shall cover project quality, project progress, sense of responsibility, coordinated cooperation, shift scheduling, obedience and financial strengths, etc.</p> <p>4. After acceptance upon project completion, the Construction Department shall fill in the Manufacturer Evaluation Form, and further evaluate the contract manufacturers together with related departments. Require the suppliers to comply with rules regarding safety, hygiene, environmental protection</p>	

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			and human rights. Jointly commit to enhancing corporate social responsibilities and establishing partnerships for 5. For implementation in 2022, refer to Page 60-61 of the annual report.	
5. Does the company compile the Sustainability Report that disclose non-financial information according to international principle or guideline of report editing? Are the report confirm and guarantee by third testing unit?		✓	The “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” are disclosed on the Company website and MOPS for reference. The system and measures adopted by the Company for social responsibility and the implementation of social responsibility performance are disclosed in the annual report. The Company plans to compile and declare the sustainability report by the end of September 2023.	The company will compile a Sustainability Report in accordance with laws and regulations.
<p>VI. If the Company has its own Sustainable Development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operation and the prescribed code:</p> <p>The Company has the amended “Corporate Social Responsibility Best Practice Principles” based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” (the new title is “Sustainable Development Best Practice Principles”) for enhancing the corporate sustainability and fulfillment of corporate social responsibility, and integrated it into the management and operation of the Company.</p> <p>In order to improve the management of sustainable development, the company establishes a governance structure to promote sustainable development and assigns the administration dept. as a part-time unit to promote sustainable development, responsible for the proposal, promotion, implementation, and report of sustainable development policies, systems, or related management guidelines and specific promotion plans. And report the implementation situation to the board of directors at least once per year.</p>				

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>VII. Other important information to help understand the facilitation of corporate sustainable development:</p> <p>(I) The Company expects that its own operations will bring positive developments to neighborhood communities. In addition to focusing on its major business, the Company will continue to manage and maintain the adopted roads and parks in order to establish good community relations:</p> <ol style="list-style-type: none"> 1. Adoption and maintenance of the sidewalk in front of Section 2, Chenggong Road, Neihu District, Taipei City. The adoption period is from February 17, 2015, to February 16, 2025, for ten years. 2. Adoption of parks, plazas, green spaces, beside Zhiyun Road in Hsinchu City (Land No. 1065, Guangwu Section). The adoption period is from Oct. 25, 2018, to Oct. 25, 2027. The adoption includes responsibilities such as maintaining the adopted parks and green spaces by collecting garbage and cleaning animal excrement. When the park, green space or plaza facility is damaged due to natural disasters or by people, the Hsinchu City Government shall be notified as soon as possible. 3. The Company has adopted 16 plots numbered 1021, 1024-1, 1026-1, 1027-1, 1060, 1073-1, 1073-2, 1074-1, 1076-1, 1076-2, 1076-3, 1077, 1080, 1086-3, 1086-8 and 1122 in Dean Section, Zhongshan District, Keelung City, the roads and auxiliary facilities within the urban plan (including but not limited to road, drainage facilities, retaining walls and street lights) together with Hai Ju Construction and Huan Ding Development. During the adoption period, took charge of sustainability maintenance and management from September 29, 2022. The adoption covers completely milling and paving the adopted roads every 8 years, eliminating deficiencies of the adopted roads, setting emergency security measures, and regularly dispatching personnel for patrol and maintenance, etc. 4. The Company adopted 4 plots numbered 1084, 1086-1, 1089 and 1090-1 on Dean Section, Zhongshan District, Keelung City, the roads and auxiliary facilities within the green land of the urban plan (including but not limited to lights, railings, floors of hydrophilic platforms and landscape-based pedestrian overcrossings with Hai Ju Construction and Huan Ding Development. During the adoption period, took charge of sustainability maintenance and management from September 13, 2022. The adoption covers regular and irregular maintenance of environmental cleanliness, tree straightening, vegetation trimming, and maintenance of lights and related facilities, etc. <p>(II) Participate in construction-related selection activities:</p> <ol style="list-style-type: none"> 1. Silver grade - green building certificates for candidate buildings in “Shihengbin - Xingye District” (Keelung), “Dream City” (Keelung), and Jing’an Wenhui (Zhonghe Area, New Taipei City). 				

Implementation Action Items	Implementation situation			Deviations from “The Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>(III) The company sponsors various public welfare activities from time to time:</p> <ol style="list-style-type: none"> 1. Donated NT\$ 25,000 to Taichung Urban Medical Clinics Association. <p>(IV) Office energy saving measures:</p> <ol style="list-style-type: none"> 1. Adjust and set the appropriate air-conditioning temperature according to the season to reduce the power load. 2. Replace the energy-saving lighting equipment in the office and turn off the lights during lunch break. <p>(V) Water-conservation measures: Use the induction water-saving valve to effectively reduce unnecessary waste of water resources.</p> <p>(VI) Paper Category:</p> <ol style="list-style-type: none"> 1. Promote the use of double-sided printing or printing multiple pages on one sheet of paper. 2. The briefcase/ briefcase is reused repeatedly. 3. Use electronic document processing to reduce printing or photocopying. 4. Make good use of the scan function to convert it into an electronic image archive. 5. Control color printing. <p>(VII) Others: The recycling management and resource classification of wastes such as kitchen waste, iron-aluminum glass jars, waste paper and special bottles, etc., shall be carried out, and professionals shall be responsible for the treatment and classification of wastes.</p>				

Note 1: The principle of materiality refers to those related environmental, social and governance issues having significant impact on the Company’s investors and other stakeholders.

Note 2: Based on the assessed risks, formulate relevant risk management policies or strategies such as the following:

Item	Focus Content
Facilitate Company Governance	<ul style="list-style-type: none"> ●The board oversees CSR practices, including review and continuous improvement ●Set up full-time (part-time) units to promote corporate social responsibility ●Establish an effective corporate governance structure and related ethical standards ●Avoid unfair competition and fight bribery and corruption to create a level playing field
develop a sustainable environment	<ul style="list-style-type: none"> ●Comply with environmental regulations ●Committed to improving the utilization efficiency of various energy (resources) ●Avoid contamination of water, air and land, and implement appropriate pollution control measures ●Continue to devote to the development of green construction technology to improve the green building level ●Focus on water resources management, waste treatment, resource recovery, environmental greening and other measures ●Be aware of the risks and opportunities that climate change may pose to operations
Maintain social welfare	<ul style="list-style-type: none"> ●The Company complies with relevant labor laws and respects internationally recognized labor human rights regulations/principles, and has established working rules and related personnel management regulations, which cover the prohibition of child labor, gender equality, the right of work and the prohibition of any illegal discrimination, and other provisions to protect human rights ●Provide a safe and healthy working environment for employees ●Create a good environment for employees' career development ●In accordance with government regulations and industry-related norms, ensure product and service quality, cooperate with suppliers and business partners, and work together to enhance corporate social responsibility ●Expecting its own operations to bring positive development to the surrounding communities, participating in community development and related activities of local government agencies to promote community development
Strengthen the disclosure of sustainable development information	<ul style="list-style-type: none"> ●Handle information disclosure in accordance with relevant laws and regulations, and disclose relevant and reliable information related to sustainable development to enhance information transparency

Note 3: The company's statistics on the greenhouse gas emissions, water consumption and total weight of construction waste in the office area in the past two years are as follows:

Year	Item	Greenhouse gas emissions (tons CO ₂ e)		Water usage (m ³)	Total weight of construction waste (tons) Keelung De'An A, B, C District
		Scope 1	Scope 2		
2021		6	106	227	8,522.97
2022		6	108	188	18,460.03

1. Scope 1: Including petrol and diesel. In 2021, mainly 1 vehicle for business purpose and 1 stacker were used. In 2022, mainly two vehicles for business purposes were utilized.
2. Scope 2: Main energies consumed were mainly electricity purchased from Taipei office areas (electricity purchased from Taiwan power plants).
3. Due to constant increase of employees, carbon emissions slightly increased in 2022. The Company will continuously implement more energy conservation and carbon reduction policies, promote environmental protection among all employees, and gradually become a low-carbon green enterprise for sustainable development.
4. The total weight of construction wastes in 2022 was higher than that of 2021, mainly because the project in Block C, Dean, Keelung was put into construction that the production of construction wastes significantly increased.

Note 4: Specific proposal and implementation on the Company’s human rights management policies are as follows:

Human rights management policies	Specific proposal and implementation
Provide safe and healthy working environment	<ol style="list-style-type: none"> 1. The Company attaches great importance to the employees’ safety and health. It provides health care and assistance. The employees are entitled to group insurance and annual physical examination (once a year). 2. According to the rules on health protection of labor workers, the Safety and Environment Department monthly arranges medical and nursing personnel to provide on-site health services four times per month, to provide the employees with professional guidance and advices regarding occupational injuries, related individual diseases, annual physical examination reports or return upon diagnosis.
Measures for protecting working environment and employees’ personal safety	<ol style="list-style-type: none"> 1. The Company has formulated the Management Measures for Whistleblowing and the Management Measures for Complaints, and set channels for the employees to file complaints, in order to protect personal safety of the employees. In 2022, the Company received no whistleblowing or complaint 2. The Company has formulated the Implementation Rules for Tutors of New Employees, to help the new employees understand enterprise cultures, rapidly integrate themselves into their departments, become enthusiastic in their workplaces and develop a sense of belonging and identity.
Assist the employees in keeping physically/mentally healthy and maintaining a balance between work and life	<ol style="list-style-type: none"> 1. Implement a holiday system 2. Work-life balance: Subsidies for club activities and travelling subsidies. 3. Parenting support: Parental leave without pay, contracting to registered babysitting institutions and breastfeeding rooms. 4. Livelihood support: Group insurance for employees and their families, wedding subsidies, maternity subsidies, children’s education subsidies, new year gifts, birthday allowance, employee injury and illness condolences and care, and subsidies for hospitalization and medical care. 5. Work assistance: Health checks and meal subsidies.
Educational training	<ol style="list-style-type: none"> 1. All independent directors, company governance executives, accounting officers and internal audit officers shall take part in on-the-job educational training in accordance with pertinent ordinances. 2. The Group shall regularly organize educational training on integrity and ethics every year: On October 20, 2022, explained practices and cases of “unconventional transactions” and “special breach of trust” to the existing directors, managers and employees, and provided them with the course on preventive strategies. Each course lasted 120 minutes. 14 persons of the Company and its subsidiaries took part in the course. 3. For advanced studies and training of the Company and its subsidiaries in 2022, please refer to Page 153-154 of the annual report.
Prevent discrimination to reasonably ensure availability of equal work opportunities	<p>According to HR management criteria of the Company about employment, wages, benefits, training, promotion, termination, retirement or other labor rights and interests, the employees and the applicants shall not be unequally treated for their race, religion, belief, gender, marital or fertility status, age, political background, nationality, disability, sexual orientation, constellation or any other reasons which affect the recruitment process and decision or other discriminations.</p> <p>In 2022, the Company has a total of 98 employees, among which, males, females, executives and female executives accounted for 46.9%, 53.1%, 29.59% and 27.58% respectively. Apparently, the Company does not discriminate against females for their gender. Instead, the Company provides workplaces for equal competitions and creates gender equality.</p>
Prohibit forced labor	<p>The Company’s rules on the employees’ daily and weekly regular and extended working hours, holidays, special holidays and all other types of holidays comply with ordinances.</p> <p>Never force or coerce any employees to perform any work against their wills.</p>

(VI) Implementation of ethical corporate management and differences with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
<p>1. Setting business integrity policies and programs</p> <p>(1) Does the company set the policy of trust management pass by the board of directors and express its commitment to the policies and practices of integrity management in its regulations and in the external documents, and do the board of directors and the management actively implement the business policies?</p>	✓		(1) In order to establish a corporate culture of ethical management and sound development, and provide a good business operation structure, the Company has formulated the “Ethical Corporate Management Best Practice Principles” to follow and implement it in internal management and external business activities.	(1) No variances.
<p>(2) Has the company set up a program for the prevention of dishonesty as well as analyzing and assessing the activity with high unethical risk, and include conducts specified in Article 7, paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?</p>	✓		<p>(2) The prevention programs adopted by the Company cover preventive measures against the following:</p> <ol style="list-style-type: none"> 1. Offering and acceptance of bribes. 2. Providing illegal political donations. 3. Improper charitable donations or sponsorships. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. 	(2) No variances.

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
(3) Has the company set up procedures, conduct guidelines and a disciplinary in the program for the prevention of dishonesty and appeals system in various programs and implemented them?	✓		<p>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</p> <p>6. Engaging in unfair competitive practices.</p> <p>7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</p> <p>(3) Based on the business philosophy and policies of the preceding paragraph, the Company clearly and in detail specifies guidelines in the Principles to prevent unethical conduct, punishment and appeal systems for violations, and implements them. The Company reviewed and amended the</p>	(3) No variances.

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
			Company's "Ethical Corporate Management Best Practice Principles" by referring the amendments to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the "Sample Template for XXX Co., Ltd. Procedures for Ethical Management and Guidelines for Conduct".	
2. Implementation of integrity management				
(1) Does the Company assess the integrity record of its business partners, and stipulate the terms of conduct on integrity in the contracts with business partners?	✓		(1) The Company conducts commercial activities on the principle of fairness and transparency. When signing a contract with others, the legal personnel reviews the terms of the contract, and the contract includes the penalty terms; if the vendor fails to perform the contract truthfully, compensation will be made pursuant to the contract.	(1) No variances.
(2) Has the Company set up a dedicated corporate integrity promotion unit under the Board of Directors which	✓		(2) The Company designates the legal unit of the President's Office as the	(2) No variances.

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
<p>regularly reports to the Board on its work (at least once a year)?</p> <p>(3) Has the company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them?</p>	✓		<p>unit in charge, responsible for handling the amendment, implementation, interpretation, consulting services, and reporting, registration and documentation of the Principles, as well as supervision and implementation. A report shall be made to the Board of Directors at least once a year. The implementation has been reported at the 15th meeting of the current term of the Board of Directors on Dec. 27, 2022.</p> <p>(3) The Company has stipulated the directors to recuse themselves from participating in discussions and voting when any proposal involves their interests and conflicts with the Company's interests; the directors, managerial officers, employees, and appointees shall not use their position in the Company and their influence to enable</p>	(3) No variances.

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
(4) Has the Company established an effective accounting system and internal control system for the implementation of integrity management, which is checked by the internal auditing unit on a regular basis or audited by external auditors?	✓		<p>themselves or others to obtain improper interests.</p> <p>(4)</p> <p>■The Company has established an effective accounting system and internal control system. The internal auditors schedule audit plans and perform audits based on the level of risk, and regularly report the audit status to the Board of Directors.</p> <p>■Regularly commissioning CPAs to audit the financial statements and confirm the effectiveness of the internal control system.</p>	(4) No variances.
(5) Does the company hold regular internal and external training on business integrity?	✓		<p>(5) On October 20, 2022, the Group conducted education and promotion for the current directors, managers and employees. The course covered practical cases and explanations of “unconventional transactions” and “special breach of trust” under the securities exchange acts as well as the preventive strategies so that they would fully understand the Company’s</p>	(5) No variances

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
			determination, policies and preventive programs for ethical operations as well as consequences of unethical conducts. The course lasted for 120 minutes. 14 employees of the Company and its subsidiaries took the course. Besides, the course briefing file was sent to all directors, managers and employees for reference.	
<p>3. The operation status of reporting system.</p> <p>(1) Has the company set up specific reporting and reward systems and a convenient reporting channel, and does the company assign appropriate personnel to investigate the person being reported?</p> <p>(2) Has the company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported?</p> <p>(3) Does the company take measures to protect the reporter from improper treatment?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>The Company has formulated the “Reporting Management Procedures”, clearly defined the reporting system, and provided legitimate reporting channels; the identity of the informant and the content of the report are kept fully confidential. The procedures are disclosed on the website.</p>	<p>(1) No variances.</p> <p>(2) No variances.</p> <p>(3) No variances.</p>
<p>4. Strengthening of Information Disclosure:</p> <p>Does the company disclose the contents of its Ethical Corporate Management Best Practice Principles and the effectiveness on</p>	<p>✓</p>		<p>The Company discloses the implementation of the Ethical Corporate Management Best Practice Principles on the</p>	<p>No variances.</p>

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
its website and MOPS?			Company's website, in the annual report and the prospectus.	
<p>V. If the Company has its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: The Company has established the "Corporate Governance Best Practice Principles", and the operation is no different from the established principles.</p>				
<p>VI. Other important information that helps to understand the Company's ethical management operation (such as the Company's review and revision of the Company's integrity management code, etc.):</p> <p>The company adheres to the principle of good faith management and engages in all commercial activities. When signing a contract with others, its contents include compliance with the integrity management policy and the transaction relatives may terminate or cancel the terms of the contract at any time; Professional and diligent management to ensure fair, sustainable and competitive returns, to create the best interests of shareholders; to provide working conditions that guarantee the health and safety of each employee, to listen to employees and to face complaints from employees in good faith problems, encouragement and assist employees in developing relevant skills and knowledge, and avoid illegal activities, providing employees with sustainable employment opportunities. The Company values the interests of every stakeholder, to promote the sustainable development of the Company.</p>				

Note: Regardless of whether "Yes" or "No" is checked for the operation, it should be stated in the summary description column.

(VII) If the Company has established corporate governance best practice principles and related regulations, it should disclose its inquiry method:

The Company has established the “Corporate Governance Best Practice Principles” by referring to the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”.

Other than the “Corporate Governance Best Practice Principles”, the Company has also established the “Regulations Governing Procedure for Board of Directors Meetings”, the “Regulations for Election of Directors”, the “Principle of performance evaluation of the board of directors”, the “Audit Committee Charter”, the “Remuneration Committee Charter”, the “Code of Ethical Conduct”, the “Ethical Corporate Management Best Practice Principles” and the “Sustainable Development Best Practice Principles” as the regulations for the Company to advance corporate governance.

The aforementioned corporate governance related regulations of the Company are disclosed in the “Board of Directors”, “Functional Committees” and “Corporate Governance Related Information” pages in the “Investors” section on the Company’s website and in the “Formulation of relevant procedures and rules for corporate governance” under “Corporate Governance” on MOPS.

(VIII) Other important information that is sufficient to enhance understanding of the Company’s operation of corporate governance:

Material information of the Company is immediately announced on MOPS as required by the competent authority. The Company’s finance, business and corporate governance related information is also regularly or immediately updated in the “Investors” section on the Company’s website.

(IX) Implementation of the internal control system

1. Internal Control Statement

RUN LONG CONSTRUCTION CO., LTD.
Internal Control Statement



Date: Mar. 10, 2023

The Company's internal control system of 2022, according to the result of self-assessment is thus stated as follows:

- I. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of the Board of Directors and management, and the Company has established such system. The internal control system is aimed to reasonably assure that goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance with applicable laws and regulations are achieved.
- II. An internal control system has its innate limitations. An effective internal control system can only ensure that the foregoing three goals are achieved. Moreover, due to the changes in the environment and conditions, the effectiveness of the internal control system will change accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
- III. According to the effective judgment items for the internal control system specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"), the Company judges whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: 1.Control environment; 2.Risk assessments; 3.Control activities; 4.Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
- IV. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of the design and execution of the internal control system.
- V. Based on the above-mentioned result of the evaluation, the Company believes that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operations, the reliability of financial reporting and the compliance with applicable laws and regulations, has been effective as of December 31, 2022, and they can reasonably assure the aforesaid goals have been achieved.
- VI. This statement will be the main content of the annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
- VII. This statement has been approved by the meeting of the Board of Directors on March 10, 2023, and the 6 directors present all agreed with the contents of this statement.

RUN LONG CONSTRUCTION CO., LTD.

Chairperson: Tsai, Chumg-Ping



Signature/Seal

President: Chiu, Ping-Tse



Signature/Seal

2. If the Securities and Futures Commission requires the company to commission an accountant to audit its internal control system, please disclose the accountant's audit report: None.

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system during the most recent fiscal year and up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and conditions for improvement: None.

(XI) Important resolutions of the shareholder meeting and the Board meetings, in the latest year and as of the date of publication of the annual report

1. Key resolutions of shareholders meetings and implementation

The Company's 2022 general shareholder meeting was held on Jun. 9, 2022, at No. 8 Zhifu Road, Zhongshan District, Taipei City (Dazhi Denwell Hotel, Prosperity and wealth Hall), and its important resolutions and implementation status are as follows:

I. Ratification Items

i. Proposal for the Company's 2021 business report and financial statements.

Voting results: 297,675,783 rights in favor, 58,291 rights opposed, and 5,454,504 abstentions/non-voting rights; the rights in favor took 98.18% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation status: Proceeded as the resolution.

ii Proposal for the Company's 2021 earnings distribution.

Voting results: 297,665,798 rights in favor, 76,043 rights opposed, and 5,446,737 abstentions/non-voting rights; the rights in favor took 98.17% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation situation: The distribution of earnings per share is stock dividend for NT\$1.5 and cash dividend for NT\$2 per share; Oct. 2, 2022, was set as the ex-rights and ex-dividend base date, and Oct. 31, 2022, was the payment date of stock and cash dividends.

II. Discussion Items

i Proposal for the Company's 2021 earnings to issue new shares.

Voting results: 297,664,243 rights in favor, 76,138 rights opposed, and 5,448,197 abstentions/non-voting rights; the rights in favor took 98.17% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation situation: The distribution of earnings per share is stock dividend for NT\$1.5 per share; Oct. 2, 2022, was set as the ex-rights base date, and Oct. 31, 2022, was the payment date of stock.

ii Proposal to amend the Company's "Articles of Incorporation"

Voting results: 297,674,078 rights in favor, 68,303 rights opposed, and 5,446,197 abstentions/non-voting rights; the rights in favor took 98.18% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation situation: The proposal was proceeded as the resolution, and the disclosure was made on MOPS and the Company website.

iii Proposal for amendments to the Company's "Asset Acquisition and Disposal Procedures."

Voting results: 297,682,717 rights in favor, 59,664 rights opposed, and 5,446,197 abstentions/non-voting rights; the rights in favor took 98.18% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation situation: The proposal was proceeded as the resolution, and the disclosure was made on MOPS and the Company website.

2. Important resolutions of the Board of Director as of the year 2022 and the date of publication of the annual report are as follows:

Date of Meeting	Key resolution	Implementation situation
2022.03.14 (7th meeting of the term)	<ol style="list-style-type: none"> 1. Proposal for the Company's 2022 business plans and annual budgets. 2. Proposal to appoint and compensate the CPAs. 3. Proposal to distribute remuneration to the Company's employees and directors for 2021. 4. Proposal for the Company's 2021 business report and financial statements. 5. Proposal for the Company's 2021 earnings distribution. 6. Proposal for the Company's 2021 earnings and capital increase by way of issuance of new shares. 7. Proposal to amend the Company's "Articles of Incorporation". 8. Proposal to amend the Company's "Handling Procedures of Acquiring or Disposing Assets." 9. Proposal to amend the "Corporate Social Responsibility Best Practice Principles" and the "Company Governance Best Practice Principles". 10. Matters related to the convening of the Company's general shareholder meeting of 2022. 11. Matters related to the acceptance of shareholders' proposals for the Company's 2022 general shareholder meeting. 12. Proposal for the Company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2021. 13. Proposal of the Company plans to issue the 2022 1st Secured Ordinary Corporate Bonds. 14. Proposal to apply for a financing credit facility from financial institutions. 15. Proposal to apply for a financing credit facility from financial institutions. 16. Proposal to apply for a financing credit facility from financial institutions. 17. Proposal to apply for a financing credit facility from financial institutions. 	<p>■ Approved as proposed and implemented as the resolution.</p> <p>■ The 3rd to 6th, and 9th to 13th discussions have been reported for completion on MOPS on Mar. 14, 2022.</p>
2022.04.01 (8th meeting of the term)	<ol style="list-style-type: none"> 1. Proposal for appointments of the Company's staff. 	<p>■ Approved as proposed and implemented as the resolution. And the resolution has been reported for completion on MOPS on Apr. 1, 2022.</p>

Date of Meeting	Key resolution	Implementation situation
2022.05.09 (9th meeting of the term)	<ol style="list-style-type: none"> 1. The company Q1 2022 consolidate financial report proposal. 2. The Company’s proposal for donating the land on the road and the green land of Dean Section, Zhongshan District, Keelung City to the government of Keelung City. 3. Proposal to renew the Company’s “Directors’ Liabilities Insurance” 	<ul style="list-style-type: none"> ■ Approved as proposed and implemented as the resolution. ■ The 1st and 2nd discussions have been reported for completion on MOPS on May 9, 2022. ■ The 3rd discussion has been reported for completion on MOPS on Jul. 5, 2022.
2022.06.27 (10th meeting of the term)	<ol style="list-style-type: none"> 1. Proposal to amend the Company’s “Rules of Procedure for Shareholder Meetings”. 2. Proposal to amend the “Company Governance Best Practice Principles” 3. Proposal to apply for a financing credit facility from financial institutions. 4. Proposal to apply for a financing credit facility from financial institutions. 	<ul style="list-style-type: none"> ■ Approved as proposed and implemented as the resolution. ■ The 2nd discussions has been reported for completion on MOPS on Jun. 27, 2022.
2022.08.10 (11th meeting of the term)	<ol style="list-style-type: none"> 1. The company Q2 2022 consolidate financial report proposal. 2. Proposal to determine the ex-dividend and cash dividends distribution base dates for the 2021 surplus transferred to capital increase for issuing new shares (capital increase). 3. Proposal to amend some clauses of the Company’s Administrative Measures for Powers and Annex II (Table of Approved Powers) attached thereunder 4. 2022 salary adjustment for managerial officers. 5. Proposal to apply for a financing credit facility from financial institutions. 	<ul style="list-style-type: none"> ■ Approved as proposed and implemented as the resolution. ■ The 1st and 2nd discussions have been reported for completion on MOPS on Aug. 10, 2022.
2022.08.29 (12th meeting of the term)	<ol style="list-style-type: none"> 1. Proposal to sell the housing and parking space of the Company’s construction projects to related parties. 2. The Company’s proposal for issuance of common stocks for cash by subscribing to the subsidiary Jin Jyun Construction Co., Ltd. 	<ul style="list-style-type: none"> ■ Approved as proposed and implemented as the resolution. ■ The 1st and 2nd discussions have been

Date of Meeting	Key resolution	Implementation situation
		reported for completion on MOPS on Aug. 29, 2022.
2022.09.29 (13th meeting of the term)	<ol style="list-style-type: none"> 1. Proposal to apply for a financing credit facility from financial institutions. 2. Proposal to apply for a financing credit facility from financial institutions. 	<p>■ Approved as proposed and implemented as the resolution.</p>
2022.11.10 (14th meeting of the term)	<ol style="list-style-type: none"> 1. The company Q3 2022 consolidate financial report proposal. 2. The Company's Proposal to replace the CPAs certifying the financial statements. 3. Proposal to amend the Company's Rules of Procedure for the Meetings of the Board of Directors. 4. Proposal to amend the Company's "Internal Control System Statement" and "Internal Audit System". 5. The Company's proposal to change the company governance executives. 6. Proposal to apply for a financing credit facility from financial institutions. 7. Proposal to apply for a financing credit facility from financial institutions. 	<p>■ Approved as proposed and implemented as the resolution.</p> <p>■ The 1st, 3rd and 5th discussions have been reported for completion on MOPS on Nov. 10, 2022.</p>
2022.12.27 (15th meeting of the term)	<ol style="list-style-type: none"> 1. Proposal for the Company's 2023 audit plan. 2. Proposal to appoint and audit fee the CPAs. 3. Proposal to assess the independence of CPAs for 2022. 4. Proposal to amend the Company's Operating Procedures for Handling Internal Major Information. 5. Proposal to amend the Company's "Internal Control System Statement" and "Internal Audit System". 6. Proposal to distribute 2021 directors' remuneration. 7. The Company's proposal to cancel the applications for financing credit facilities from financial institutions. 8. The Company's proposal to entrust the subsidiary Jin Jyun Construction Co., Ltd. to offer the limit on guaranty amount for financing and loaning from financial institutions for business operations. 9. Proposal to apply for a financing credit facility from financial institutions. 10. Proposal to apply for a financing credit facility from financial institutions. 11. The Company's proposal to change the conditions for applying for financing credit facilities from financial institutions. 	<p>■ Approved as proposed and implemented as the resolution.</p> <p>■ The 1st discussions have been reported for completion on MOPS on Dec. 27, 2022.</p>

Date of Meeting	Key resolution	Implementation situation
2023.01.17 (16th meeting of the term)	<ol style="list-style-type: none"> 1. Proposal for the Company's 2023 business plans and annual budgets. 2. Proposal to distribute 2021 managerial officers' remuneration. 3. Proposal to disburse the 2022 annual performance bonus of the managerial officers. 	<ul style="list-style-type: none"> ■ Approved as proposed and implemented as the resolution.
2023.03.10 (17th meeting of the term)	<ol style="list-style-type: none"> 1. Proposal to distribute remuneration to the Company's employees and directors for 2022. 2. Proposal for the Company's 2022 business report and financial statements. 3. Proposal for the Company's 2022 earnings distribution. 4. Proposal for the Company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2022. 5. Matters related to the convening of the Company's general shareholder meeting of 2023. 6. Matters related to the acceptance of shareholders' proposals for the Company's 2023 general shareholder meeting. 7. Proposal to amend the Company's Code of Practice on Company Governance, Code of Practice on Sustainable Development, Operating Rules on Stakeholders' Financial Businesses and Standard Operating Procedures for Responding to Directors' Requests. 8. Proposal to apply for a financing credit facility from financial institutions. 9. Proposal to apply for a financing credit facility from financial institutions. 	<ul style="list-style-type: none"> ■ Approved as proposed and implemented as the resolution. ■ The 1st to 7th discussions have been reported for completion on MOPS on Mar. 10, 2023.
2023.04.10 (18th meeting of the term)	<ol style="list-style-type: none"> 1. Proposal to elect the Chairperson of the Company. 2. Proposal to dismiss and appoint the President of the Company. 3. The proposal to change the Company's spokesman. 	<ul style="list-style-type: none"> ■ The 1st to 3rd personnel Proposal have been reported for completion on MOPS on April 10, 2023.

(XII) In the most recent year and up to the date of publication of the financial report, directors that had different opinions on important resolutions passed by the Board of Directors for which there are records or written statements, specify the major content: None.

(XIII) In the most recent year and up to the date of publication of the financial report, a summary of resignations of the Company's chairperson, president, accounting, financial, internal audit and management officers and R&D executives:

Job Title	Name	On Board Date	Dismiss Date	Reason for resignation or dismissal
Chairperson	Tsai, Chung-Ping	2010.07.09	2023.04.10	As a corporate shareholder, Da-Li Investment Co., Ltd appointed Lin, Wei-Chum as legal representative and director in place of Tsai, Chung-Ping on April 10, 2023. As a result, Tsai, Chung-Ping was removed from his post as Chairperson.
President	Chiu, Ping-Tse	2021.10.05	2023.04.10	On April 10, 2023, the Board of Directors elected Chiu, Ping-Tse as Chairperson. To distinguish powers and duties of the Chairperson and the President, manager Lin, Wei-Chum was promoted to be the President from April 10, 2023.
Company Governance Executives	Lin, Wen-Long	2021.06.24	2022.12.01	Resigned for a personal reason

5. Certified CPA public fee information

- (I) The amount of public audit fees and non-audit public fees paid to the certified public accountants, their affiliated firms and affiliated enterprises, and the content of non-audit services:

Unit: NT\$ thousand

Accounting firm name	CPA name	CPAs' Audit Report	Audit Fee	Non-audit Fee	Total	Remarks
KPMG Taiwan	Yi-Lien Han and Ti-Nuan Chien	2022/01/01~ 2022/09/30	2,350	138	2,488	Non-audit Fee Service Content is as follows: 1. Financial statement verification visa stamp certification fee. 2. Public expense for the review opinion on the transfer of surplus to capital increase. 3. Issue 2022 1st Secured Ordinary Corporate Bonds. 4. Full-time employee salary information checklist for Non-supervisory positions to review public expenses.
	Yi-Lien Han and Kuo-Yang Tseng	2022/10/01~ 2022/12/31				
	Chang, Zhi	2022/01/01~ 2022/12/31	—	38	38	Non-audit Fee Service Content is as follows: 1. The public fee for handling the registration Change of the Articles of Incorporation. 2. Public fees for registration fee for surplus transferred to capital increase.

Note 1: To cooperate with internal rotation of KPMG, the CPAs Yi-Lien Han and Ti-Nuan Chien were replaced with Yi-Lien Han and Kuo-Yang Tseng from Q4 of 2022, as resolved at the 9th meeting of the 2nd term of the Audit Committee on November 10, 2022 and at the 14th meeting of the Board of Directors on November 10, 2022.

- (II) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons shall be disclosed: The audit fees in 2022 were NT\$ 350 thousand lower than those in 2021 and decreased by 12.96%, because the audit fees for 2022 were adjusted according to the fee standard of the CPAs.

6. CPA replacement information

(I) Regarding the former CPAs:

Replacement date	Approved by the Board of Directors on November 10, 2022		
Reason for replacement and description	To cooperate with internal rotation of KPMG, the CPAs Yi-lien Han and Ti-Nuan Chien were replaced with Yi-lien Han and Kuo-Yang Tseng from Q4 of 2022		
Specify whether or not it was the CPA ending the engagement or declining further engagement, or the Company terminating or discontinuing the engagement.	Counterparty situation	Certified Public Accountant	Consignor
	Voluntarily terminated the engagement	Not applicable.	Not applicable.
	Appointment declined (Discontinued)	Not applicable.	Not applicable.
The Opinions other than unmodified Opinion issued in the last two years and the reasons for the said opinions	Not applicable.		
Is there any disagreement in opinion with the issuer	Yes	-	Accounting principle or practice
		-	disclosure of financial statements
		-	auditing scope or procedures
		-	Others
	None	✓	
Explanation:			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

(II) Regarding the successor CPAs:

Name of the CPAs	KPMG Taiwan
Name of the CPA	Kuo-Yang Tseng
Appointment date	From the financial report of Q4, 2022
Prior to the Formal Engagement, Any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report.	Not applicable.
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinion	Not applicable.

(III) The reply of the former CPAs regarding Article 10, Paragraph 6, Subparagraph 1 Items and 2-3 of the Standards: Not applicable.

7. Where the Company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm, the name and position of the person and the period during which the position was held shall be disclosed: None.

8. In the most recent fiscal year and up to the date of publication of the annual report, the directors, supervisors, managers and shareholders holding more than 10% of the equity transfer and equity pledge changes

(I) Changes in shareholdings of directors, supervisors, managers and major shareholders

Unit: Share

Job Title	Name	2022		Current year as of April 15	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledges held	Increase (decrease) in number of shares held	Increase (decrease) in number of pledges held
Institutional Director	Da-Li Investment Co., Ltd	2,308,995	5,000,000	0	0
Chairperson	Tsai, Chung-Ping (Note 1)	4,807	0	—	—
Director and President	Lin, Wei-Chum (Note 1)	—	—	0	0
Institutional Director	Kaung Yang Investment Co., Ltd.	4,736,404	0	0	0
Chairperson	Chiu, Ping-Tse (Note 1)	0	0	0	0
Director	Cheng, Chiao-Wen	0	0	0	0
Director	Chen, Kuo-Yen	80,000	0	0	0
Independent Director	Yen, Yun-Chi	0	0	0	0
Independent Director	Li, Wen-Cheng	0	0	0	0
Independent Director	Chen, Yung-Chang	0	0	0	0
Company Governance Executives	Lin, Wen-Long(Note 2)	—	—	—	—
Associate Vice President	Wu, Chin-Ching	3,823	0	0	0
Associate Vice President	Fang, Tze-Chiang	0	0	0	0
Associate Vice President	Liu, Kuan-Ying (Note 3)	20,262	0	10,000	0
Financial Officer also acted as the Company Governance Executives	Lu, Chia-Yin	6,101	0	0	0
Accounting Officer	Lin, Ya-mei	0	0	0	0

Note 1: As a corporate shareholder, Da-Li Investment Co., Ltd appointed Lin, Wei-Chum to act as representative and director in place of Tsai, Chung-Ping on April 10, 2023. As a result, Tsai, Chung-Ping was removed from the post as Chairperson. At the meeting of the Board of Directors on April 10, 2023, Chiu, Ping-Tse was elected to be the Chairperson. To distinguish powers of the Chairperson and the President, manager Lin, Wei-Chum was promoted as the President from April 10, 2023.

Note 2: Mr. Lin, Wen-Long was appointed as the Company Governance Executive on Jun. 24, 2021, Consultant Lin, Wen-Long resigned on December 1, 2022.

Note 3: On Apr. 1, 2022, Ms. Liu, Kuan-Ying was appointed as the Associate Vice President of the Sales dept. of the company.

Note 4: From December 1, 2022, Lu, Chia-Yin, the manager of the Finance Department, also acted as the Company Governance Executive.

(II) Information on equity transfers

Information of transfers of equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent, where the counterparty of any such transfer of equity interests is a related party: None.

(III) Information on equity pledges

Information of pledges of equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent, where the counterparty of any such pledge of equity interests is a related party: None.

9. Shareholders who account for the top ten shareholders, and their relationships with each other

April 15, 2023; Unit: Share: %

Name (Note 1)	Personal Holding Share		Spouse & Minor Shareholding		Holding shares in the name of others		Names and relationships of the top ten shareholders who have a relationship with each other or are relatives of a spouse or a second degree kinship. (Note3)		Remarks
	Stock Number	Holding shares ratio (Note 2)	Shares	Holding shares ratio (Note 2)	Shares	Holding shares ratio (Note 2)	Title (or Name)	Relationship	
Chin-Shi-Pan Investment Co., Ltd Representative: Cheng Chun-Fang	44,419,740	9.85	Note 4	Note 4	Note 4	Note 4	Cheng Xiuhui	Relative within Second Degree Kinship	
Xing Ri-sheng Investment Co., Ltd. Representative : Cheng Xiuhui	33,074,642	7.33	Note 4	Note 4	Note 4	Note 4	Cheng Junfang	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	
							Tsai, Chungping	Relative within Second Degree Kinship	
Runying Investment Co., Ltd. Representative : Cheng Xiuhui	33,058,302	7.33	Note 4	Note 4	Note 4	Note 4	Cheng Junfang	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	
							Tsai, Chungping	Relative within Second Degree Kinship	
Kaung Yang Investment Co., Ltd. Representative: Cheng Chunmin	28,759,103	6.37	Note 4	Note 4	Note 4	Note 4	Cheng Xiuhui	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Tsai, Chungping	Relative within Second Degree Kinship	
Highwealth Construction Co., Ltd. Representative: Tsao, Yuan-Pao	27,289,288	6.05	Note 4	Note 4	Note 4	Note 4	None	None	
Wan Shengfa Investment Co., Ltd Representative : Cheng Yousheng	26,103,040	5.79	Note 4	Note 4	Note 4	Note 4	Cheng Xiuhui	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	
							Tsai, Chungping	Relative within Second Degree Kinship	

Name (Note 1)	Personal Holding Share		Spouse & Minor Shareholding		Holding shares in the name of others		Names and relationships of the top ten shareholders who have a relationship with each other or are relatives of a spouse or a second degree kinship. (Note3)		Remarks
	Stock Number	Holding shares ratio (Note 2)	Shares	Holding shares ratio (Note 2)	Shares	Holding shares ratio (Note 2)	Title (or Name)	Relationship	
Feng-Rao Investment Co., Ltd. Representative : Cheng Xiuhui	24,426,382	5.42	Note 4	Note 4	Note 4	Note 4	Cheng Junfang	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	
							Tsai, Chungping	Relative within Second Degree Kinship	
ChyiYuh Construction Co., Ltd. Representative: Cheng Chunmin	23,857,755	5.29	Note 4	Note 4	Note 4	Note 4	Cheng Xiuhui	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Tsai, Chungping	Relative within Second Degree Kinship	
Jing-Wei Investment Co., Ltd Representative : Huang Qingshui	21,332,612	4.73	Note 4	Note 4	Note 4	Note 4	None	None	
Da-Li Investment Co., Ltd Representative: Tsai Chungping	17,663,965	3.92	0	0.00	0	0.00	Cheng Xiuhui	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	

Note 1: All the top ten shareholders shall be listed. Those that are legal person shareholders should list the name of the legal person shareholder and the name of the representative separately.

Note 2: The calculation of the shareholding ratio refers to the calculation of the shareholding ratio in the name of oneself, the spouse, the minor child or the use of another person.

Note 3: The shareholders listed in the previous disclosure, including legal persons and natural persons, shall disclose their relationship with each other in accordance with the issuer's financial reporting standards.

Note 4: The shareholder is not an insider declared by the company, so the relevant materials of his spouse, minor children or holding shares in the name of others cannot be obtained.

10. The number of shares held by the Company, the Company's directors, supervisors, managers and the companies directly or indirectly controlled by the Company in the same investment business, and combined to calculate the comprehensive shareholding ratio:

Unit: Shares; %

Re-investment business (Note)	Investment by the Company		Directors, supervisors, managerial officers and investments directly or indirectly controlling the business		Comprehensive Investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Jin Jyun Construction Co., Ltd.	70,000,000	100%	0	0%	70,000,000	100%

Note: The Company's investments accounted for using the equity method.

IV. Capital Overview

I. Capital and Shares

1. Source of share capital

(1) The types of shares issued by the Company in the most recent fiscal year and up to the date of publication of the annual report

Unit: NT\$; Shares

Month/Year	Issuing price	Approved Share Capital		Paid-up Share Capital		Remark		
		Stock Number	Amount	Stock Number	Amount	Sources of Share Capital	Non-cash Capital Increase	Others
2006/09	10	120,000,000	1,200,000,000	62,490,000	624,900,000	Surplus transferred to capital increase 24,900,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0950129041 issued by the Financial Supervisory Commission, Executive Yuan, dated July 7, 2006
2006/09	10	120,000,000	1,200,000,000	64,980,000	649,800,000	Surplus transferred to capital increase (Private placement) 24,900,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0950131709 issued by the Financial Supervisory Commission, Executive Yuan, dated August 14, 2006.
2007/09	10	120,000,000	1,200,000,000	73,102,500	731,025,000	Surplus transferred to capital increase 81,225,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0960044644 issued by the Financial Supervisory Commission, Executive Yuan, dated August 20, 2007.
2007/09	10	120,000,000	1,200,000,000	81,225,000	812,250,000	Surplus transferred to capital increase (Private placement) 81,225,000	None	
2008/08	10	120,000,000	1,200,000,000	97,600,000	976,000,000	Surplus and employees' bonus transferred to capital increase 163,750,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0970034696 issued by the Financial Supervisory Commission, Executive Yuan, dated July 10, 2008.
2009/08	10	120,000,000	1,200,000,000	113,216,000	1,132,160,000	Surplus transferred to capital increase 156,160,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0980034483 issued by the Financial Supervisory Commission, Executive Yuan, dated July 10, 2009.

Month/Year	Issuing price	Approved Share Capital		Paid-up Share Capital		Remark		
		Stock Number	Amount	Stock Number	Amount	Sources of Share Capital	Non-cash Capital Increase	Others
2010/12	10	160,000,000	1,600,000,000	135,859,200	1,358,592,000	Surplus transferred to capital increase 226,432,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0990056467 issued by the Financial Supervisory Commission, Executive Yuan, dated October 15, 2010.
2012/01	10	250,000,000	2,500,000,000	136,484,404	1,364,844,040	Conversion of corporate bonds 6,252,040	None	Tai-Zheng-Shang-Yi-Zi No. 10100013531 by the Taiwan Stock Exchange Corporation, dated January 18, 2012.
2012/04	10	250,000,000	2,500,000,000	142,232,518	1,422,325,180	Conversion of corporate bonds 57,481,140	None	Tai-Zheng-Shang-Yi-Zi No. 10100082201 by the Taiwan Stock Exchange Corporation, dated April 18, 2012.
2012/07	10	250,000,000	2,500,000,000	143,723,712	1,437,237,120	Conversion of corporate bonds 14,911,940	None	Tai-Zheng-Shang-Yi-Zi No. 10100169681 by the Taiwan Stock Exchange Corporation, dated July 26, 2012.
2012/10	10	250,000,000	2,500,000,000	144,600,643	1,446,006,430	Conversion of corporate bonds 8,769,310	None	Tai-Zheng-Shang-Yi-Zi No. 10100232901 by the Taiwan Stock Exchange Corporation, dated October 15, 2012.
2013/01	10	250,000,000	2,500,000,000	144,634,298	1,446,342,980	Conversion of corporate bonds 336,550	None	Tai-Zheng-Shang-Yi-Zi No. 10200010221 by the Taiwan Stock Exchange Corporation, dated January 17, 2013.
2013/04	10	250,000,000	2,500,000,000	144,699,139	1,446,991,390	Conversion of corporate bonds 648,410	None	Tai-Zheng-Shang-Yi-Zi No. 1020007491 by the Taiwan Stock Exchange Corporation, dated April 25, 2013.
2013/10	10	250,000,000	2,500,000,000	176,597,015	1,765,970,150	Conversion of corporate bonds 318,978,760	None	Tai-Zheng-Shang-Yi-Zi No. 1020021840 by the Taiwan Stock Exchange Corporation, dated October 22, 2013.
2014/04	10	250,000,000	2,500,000,000	177,008,875	1,770,088,750	Conversion of corporate bonds 4,118,600	None	Tai-Zheng-Shang-Yi-Zi No. 10300073421 by the Taiwan Stock Exchange Corporation, dated April 18, 2014.
2014/07	10	250,000,000	2,500,000,000	177,380,937	1,773,809,370	Conversion of corporate bonds 3,720,620	None	Tai-Zheng-Shang-Yi-Zi No. 1030014446 by the Taiwan Stock Exchange Corporation, dated July 17, 2014.
2014/10	10	250,000,000	2,500,000,000	185,008,864	1,850,088,640	Conversion of corporate bonds 76,279,270	None	Tai-Zheng-Shang-Yi-Zi No. 1030022108 by the Taiwan Stock Exchange Corporation, dated October 23, 2014.

Month/Year	Issuing price	Approved Share Capital		Paid-up Share Capital		Remark		
		Stock Number	Amount	Stock Number	Amount	Sources of Share Capital	Non-cash Capital Increase	Others
2015/01	10	250,000,000	2,500,000,000	215,008,864	2,150,088,640	Issuance of common stock for cash 300,000,000	None	Effective per Letter Jin-Guan-Zheng-Fa-Zi No. 1030052644 issued by the Financial Supervisory Commission, Executive Yuan, dated January 8, 2015
2015/08	10	250,000,000	2,500,000,000	215,026,195	2,150,261,950	Conversion of corporate bonds 173,310	None	Tai-Zheng-Shang-Yi-Zi No.1040016174 by the Taiwan Stock Exchange Corporation, dated August 11, 2015.
2015/10	10	250,000,000	2,500,000,000	215,850,199	2,158,501,990	Conversion of corporate bonds 8,240,040	None	Tai-Zheng-Shang-Yi-Zi No.1040021557 by the Taiwan Stock Exchange Corporation, dated October 21, 2015.
2016/01	10	250,000,000	2,500,000,000	233,184,874	2,331,848,740	Conversion of corporate bonds 173,346,750	None	Approved by the Taiwan Stock Exchange Corporation on January 20, 2016, for reference.
2016/05	10	250,000,000	2,500,000,000	233,494,574	2,334,945,740	Conversion of corporate bonds 3,097,000	None	Approved by the Taiwan Stock Exchange Corporation on May 10, 2016, for reference.
2016/07	10	250,000,000	2,500,000,000	234,557,995	2,345,579,950	Conversion of corporate bonds 10,634,210	None	Approved by the Taiwan Stock Exchange Corporation on August 2, 2016, for reference.
2016/10	10	250,000,000	2,500,000,000	236,847,345	2,368,473,450	Conversion of corporate bonds 22,893,500	None	Approved by the Taiwan Stock Exchange Corporation on October 24, 2016, for reference.
2017/01	10	250,000,000	2,500,000,000	237,666,300	2,376,663,000	Conversion of corporate bonds 8,189,550	None	Approved by the Taiwan Stock Exchange Corporation on January 25, 2017, for reference.
2017/04	10	250,000,000	2,500,000,000	243,355,904	2,433,559,040	Conversion of corporate bonds 56,896,040	None	Approved by the Taiwan Stock Exchange Corporation on April 19, 2017, for reference.
2017/10	10	250,000,000	2,500,000,000	243,404,446	2,434,044,460	Conversion of corporate bonds 485,420	None	Approved by the Taiwan Stock Exchange Corporation on October 19, 2017, for reference.
2018/04	10	250,000,000	2,500,000,000	244,472,405	2,444,724,050	Conversion of corporate bonds 10,679,590	None	Approved by the Taiwan Stock Exchange Corporation on April 13, 2018, for reference.
2018/07	10	250,000,000	2,500,000,000	244,501,531	2,445,015,310	Conversion of corporate bonds 291,260	None	Approved by the Taiwan Stock Exchange Corporation on July 27, 2018, for reference.

Month/Year	Issuing price	Approved Share Capital		Paid-up Share Capital		Remark		
		Stock Number	Amount	Stock Number	Amount	Sources of Share Capital	Non-cash Capital Increase	Others
2018/09	10	360,000,000	3,600,000,000	308,330,531	3,083,305,310	Conversion of corporate bonds 638,290,000	None	Approved by Taiwan Stock Exchange Corporation on September 27, 2018, for reference.
2020/10	10	500,000,000	5,000,000,000	369,996,637	3,699,966,370	Surplus transferred to capital increase 308,330,530 capital surplus transferred to capital increase 308,330,530	None	Effective on the filing to the Financial Supervisory Commission on August 3, 2020 Approved by the Taiwan Stock Exchange Corporation on October 21, 2020, for reference.
2021/10	10	500,000,000	5,000,000,000	392,196,637	3,921,966,370	Surplus transferred to capital increase 74,000,000 capital surplus transferred to capital increase 148,000,000	None	Effective on the filing to the Financial Supervisory Commission on August 30, 2021 Approved by the Taiwan Stock Exchange Corporation on October 21, 2021, for reference.
2022/10	10	800,000,000	8,000,000,000	451,026,133	4,510,261,330	Surplus transferred to capital increase 588,294,960	None	Effective on the filing to the Financial Supervisory Commission on August 1, 2022 Approved by the Taiwan Stock Exchange Corporation on October 18, 2022, for reference.

(2) Information on shelf registration: The Company has not applied to offer and issue securities by shelf registration.

(3) Private placement of common shares in the most recent fiscal year and up to the date of publication of the annual report: None.

(II) Share type

April 15, 2023; Unit: Shares

Share Type	Approved Share Capital			Remark
	Outstanding Shares	Un-issued Shares	Total Amount	
Ordinary share	800,000,000	348,973,867	451,026,133	Listed company stock

2. Status of shareholders

April 15, 2023; Unit: Shares

Type Volume	Government Agencies	Financial Institutions	Other Juridical Persons	Individual	Foreign Institutes and Foreigners	Total Amount
Shareholders	2	2	82	8,914	76	9,076
Shares	79	80,179	355,214,158	87,115,520	8,616,197	451,026,133
Shareholding ratio	0.00%	0.01%	78.76%	19.32%	1.91%	100.00%

3. Shareholding distribution status

(I) Common shares dispersion

April 15, 2023; Unit: Shares

Shareholding Tiers (Unit: Share)	Number of Shareholders	Shares	Shareholding ratio
1 to 999	4,533	1,093,504	0.24%
1,000 to 5,000	3,176	6,780,572	1.50%
5,001 to 10,000	581	4,139,483	0.92%
10,001 to 15,000	238	3,020,423	0.67%
15,001 to 20,000	120	2,092,526	0.46%
20,001 to 30,000	110	2,752,056	0.61%
30,001 to 40,000	54	1,875,298	0.42%
40,001 to 50,000	36	1,640,896	0.36%
50,001 to 100,000	88	6,120,607	1.36%
100,001 to 200,000	54	7,555,719	1.68%
200,001 to 400,000	24	6,524,028	1.45%
400,001 to 600,000	16	7,577,412	1.68%
600,001 to 800,000	11	7,425,977	1.65%
800,001 to 1,000,000	4	3,412,560	0.75%
More than 1,000,001	31	389,015,072	86.25%
Total Amount	9,076	451,026,133	100.00%

(II) Preference share dispersion: The Company has not issued preferred shares.

4. Names of major shareholders

April 15, 2023; Unit: Shares

Name	Share	Number of shares held	Shareholding ratio
Chin-Shi-Pan Investment Co., Ltd.		44,419,740	9.85%
Xing Ri-sheng Investment Co., Ltd.		33,074,642	7.33%
Runying Investment Inc.		33,058,302	7.33%
Kaung Yang Investment Co., Ltd.		28,759,103	6.37%
Highwealth Construction Co., Ltd.		27,289,288	6.05%
Wan Shengfa Investment Co., Ltd		26,103,040	5.79%
Feng-Rao Investment Co., Ltd.		24,426,382	5.42%
ChyiYuh Construction Co., Ltd.		23,857,755	5.29%
Jing-Wei Investment Co., Ltd.		21,332,612	4.73%
Da-Li Investment Co., Ltd		17,663,965	3.92%

5. Market price, net worth, earnings, and dividends per share for the two most recent years

Unit: NT\$

Item		Year		Current year as of Mar. 31, 2023 (Note 8)	
		2021	2022		
Price per share (note 1)	Maximum	63.10	74.60	75.20	
	Minimum	46.70	53.00	67.20	
	Average	58.22	63.63	71.20	
Net worth per share (Note 2)	Before assignment	17.02	13.55	—	
	After assignment	15.02	12.75(Note 9)	—	
EPS	Weighted average amount of shares (thousand shares)	392,197	451,026	451,026	
	Earnings per share (Note 3)	Before Retrospectively Adjustment	4.26	0.35	—
		After Retrospectively Adjustment	3.71	0.35	—
Dividend per share	Cash dividend		2.0	0.6 (Note 9)	—
	Issuance of bonus share	Earnings dividend	1.5	—	—
		Capital reserve dividend	—	—	—
	Accumulated unpaid dividend (note 4)		—	—	—
Analysis of ROI	P/E ratio (Note 5)		13.69	179.34	—
	Price to dividend ratio (Note 6)		29.16	104.62 (Note 9)	—
	Dividend yield (Note 7)		0.034	0.010 (Note 9)	—

* If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: Set forth the highest and lowest market price per share of common stock for each fiscal year and calculate each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.

Note 2: Please set forth the distribution based on the issued shares at the end of the year and resolved by the board of directors meeting or the general shareholders' meeting in the next year.

Note 3: In case retrospective adjustment is required due to bonus shares, the earnings-per-share before and after adjustment shall be set forth.

- Note 4: In the conditions for issuing equity securities, if it is specified that the undistributed dividends of the year may be accumulated until they are distributed in a year with surplus earnings, the accumulated unpaid dividends shall be disclosed respectively.
- Note 5: Price-earnings ratios = Average closing price per share of the year / earnings per share.
- Note 6: Price to dividend ratios = Average closing price per share of the year / cash dividend per share.
- Note 7: Cash dividend yield = Cash dividend per share / average closing price per share of the year.
- Note 8: For the net worth per share and earnings per share, the latest information audited (reviewed) by the CPAs shall be filled in; other columns shall be filled in with the current year information up to the publication date of the annual report. The financial information of the Company for the first quarter of 2023 has not been reviewed by an accountant, so it will not be disclosed.
- Note 9: The distribution of dividends in cash from earnings for 2022 has been resolved by the Board of Directors on March 10, 2023.

6. Company dividend policy and implementation status

(I) Dividend policy set in the Articles of Incorporation

Where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the legal reserve has reached the amount of the Company's paid-in capital. Depending on the Company's operation and legal requirements, special reserve may be set aside or reversed. The Company's Board of Directors shall use any remaining profit together with any undistributed retained earnings as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

The Company's dividend policy shall take into the Company's financial structure, operating situation and capital budget, as well as the interests of shareholders and balance of dividends. The distributable earnings may be retained or paid in shares or cash. The amount of dividend distribution shall be maintained at between 10% and 100% of the current year's distributable earnings. The dividends paid in cash shall be less than 10% of the total dividends distributed in the year.

If the Company distributes all or part of the dividends and bonuses or statutory surplus reserves and capital reserves by means of cash disbursement, it shall authorize the Board of Directors with over two-thirds of the directors attending the meeting and conduct after approval of a majority of the directors attending the meeting, which shall be reported to the shareholders' meeting.

(II) Proposed dividend distribution by the current shareholder meeting

1. The distribution of dividends in cash from earnings for 2022 has been resolved by the Board of Directors on March 10, 2023. The cash dividend this year will be distributed of NT\$0.6 per share.

(III) Significant changes to dividend policy: None.

7. Impact on the Company's operating performance and earnings per share of the bonus shares proposed at this shareholder meeting: Not applicable.

8. Compensation of employees and directors

(I) Employees' and directors' compensation policies as stated in the Articles of Incorporation:

Pursuant to Article 29 of the Articles of Incorporation, if the Company records a profit in a year, it shall set aside not less than one-thousandth of the profit as remuneration to employees and not more than one-hundredth of the profit as remuneration to directors. The remuneration shall be distributed after the resolution of the Board of Directors and reported to the shareholder meeting. However, if the Company still has accumulated losses, the compensation amount shall be reserved in advance.

The employee remuneration may be determined by shares or cash and its receiving parties must include its serving employees in accordance who meet certain criteria established by the board of directors.

(II) The basis for the estimation of the amount of remuneration of employees and directors in the current period, and the accounting treatment if there is a difference between the estimated amount and the actual remuneration paid in shares or cash:

1. Estimation basis for the period: 1.89% of the net profit before tax of the period as employees' remuneration; 0.71% as the directors' remuneration.
2. The calculation basis for employees' remuneration distributed in shares: No employees' remuneration is paid in shares this period, and thus this is not applicable.
3. Accounting treatment if there is a discrepancy between the estimate and the actual amount paid: The difference will be recognized as profit or loss from changes in accounting estimates in the next fiscal year.

(III) Remuneration distribution as decided by the Board of Directors' meeting

1. Distribution of employees and directors' remunerations:

The Company's 2022 remunerations for employees and directors were approved by the Board of Directors in the meeting on March 10, 2023, described as follows:

(1) Employees' remuneration in cash: NT\$4,000,000 (approximately 1.89%)

(2) Directors' remuneration in cash: NT\$1,500,000 (approximately 0.71%)

2. Discrepant amount, reasons, and treatment, in the event of a discrepancy between the 2022 estimated amount and the actual remunerations paid in shares or cash to employees and directors: No discrepancy between the 2022 estimated amount and the actual remunerations paid.
3. Employee remuneration paid in shares as a percentage of the total amount of the current net profit after tax and the total employee remuneration as reported in the consolidated or individual financial statements: there is no remuneration in shares proposed for the period, so it is not applicable.

(IV) Actual distribution of employees and directors' remuneration (including distributed cash, shares, and share prices) in the prior year, and the accounting disclosures, treatments and explanations if discrepancies exist

1. Actual distribution of employees and directors' remuneration in the previous year

Distribution	2021			
	Distributed amount resolved by the Board of Directors	Actual distributed amount	Recognized amount	Discrepant amount
Employee cash remuneration	NT\$2,700 thousand	NT\$2,700 thousand	NT\$2,700 thousand	0
Directors' remuneration	NT\$1,000 thousand	NT\$1,000 thousand	NT\$1,000 thousand	0

2. Reason for discrepancy between the actual distributed amount and recognized amount and treatment: No discrepancy from the expense amount recognized in 2021.

9. Buyback of treasury stock of the company: None.

10. Corporate bonds

I. Issuance Status of Corporate Bonds

1. On August 16, 2017, approved with Letter Zheng-Gui-Zhai-Zi No. 10600222141 issued by the Taipei Exchange, the 2017 first batch of domestic secured ordinary convertible corporate bonds for NT\$2 billion was issued.
2. On March 27, 2019, approved with Letter Zheng-Gui-Zhai-Zi No. 10800017031 issued by the Taipei Exchange, the 2019 first batch of domestic secured ordinary convertible corporate bonds for NT\$2 billion was issued.
3. On March 27, 2019, approved with Letter Zheng-Gui-Zhai-Zi No. 10800017241 issued by the Taipei Exchange, the 2019 second batch of domestic secured ordinary convertible corporate bonds for NT\$2 billion was issued.
4. On December 17, 2019, approved with Letter Zheng-Gui-Zhai-Zi No. 10800138421 issued by the Taipei Exchange, the 2019 third batch of domestic secured ordinary convertible corporate bonds for NT\$1.9 billion was issued.
5. On November 3, 2021, approved with Letter Zheng-Gui-Zhai No. 11000120671 issued by the Taipei Exchange, the 2021 first batch of domestic secured ordinary convertible corporate bonds for NT\$2 billion was issued.
6. On Mar. 30, 2022, approved with Letter Zheng-Gui-Zhai No. 11100020801 issued by the Taipei Exchange, the 2022 first batch of domestic secured ordinary convertible corporate bonds for NT\$2 billion was issued.
7. Each of the above batches of corporate bonds was issued as follows:

August 23, 2022

Type of Corporate Bonds	2017 1st Secured Ordinary Corporate Bonds (Code: B85104)	
Issuance (handling) date:	August 23, 2017	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	NT\$2 billion in total	
Interest rate	Coupon rate: fixed rate at 0.98% per annum	
Period	5-year period, maturity date: August 23, 2022	
Guarantee Organization	Land Bank of Taiwan Co., Ltd.	
Trustee	JihSun International Bank Co., Ltd.	
Underwriting institution	Not applicable.	
Certified Lawyer	Zhong-Jie Wei	
Certified Public Accountant	Ti-Nuan Chien	
Reimbursement Method	Bullet repayment at maturity	
Outstanding principal amount	NT\$2,000,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2017 1st Secured Ordinary Corporate Bonds.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2017 1st Secured Ordinary Corporate Bonds.	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

April 15, 2023

Type of Corporate Bonds	2019 1st Secured Ordinary Corporate Bonds (Code: B85105)	
Issuance (handling) date:	April 2, 2019	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	NT\$2 billion in total	
Interest rate	Coupon rate: fixed rate at 0.85% per annum	
Period	5-year period, maturity date: April 2, 2024	
Guarantee Organization	Bank of Taiwan Co., Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	
Underwriting institution	Not applicable.	
Certified Lawyer	Zhong-Jie Wei	
Certified Public Accountant	Ti-Nuan Chien	
Reimbursement Method	Bullet repayment at maturity	
Outstanding principal amount	NT\$2,000,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2019 1st Secured Ordinary Corporate Bonds
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2019 1st Secured Ordinary Corporate Bonds	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

April 15, 2023

Type of Corporate Bonds	2019 2nd Secured Ordinary Corporate Bonds (Code: B85106)	
Issuance (handling) date:	April 2, 2019	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	NT\$2 billion in total	
Interest rate	Coupon rate: fixed rate at 0.85% per annum	
Period	5-year period, maturity date: April 2, 2024	
Guarantee Organization	Mega International Bank Co., Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	
Underwriting institution	Not applicable.	
Certified Lawyer	Zhong-Jie Wei	
Certified Public Accountant	Ti-Nuan Chien	
Reimbursement Method	Bullet repayment at maturity	
Outstanding principal amount	NT\$2,000,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2019 2nd Secured Ordinary Corporate Bonds.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2019 2nd Secured Ordinary Corporate Bonds.	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

April 15, 2023

Type of Corporate Bonds	2019 3rd Secured Ordinary Corporate Bond (Code: B85107)	
Issuance (handling) date:	December 24, 2019	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	Face value of NT\$1.9 billion in total	
Interest rate	Coupon rate: fixed rate at 0.78% per annum	
Period	5-year period, maturity date: December 24, 2024	
Guarantee Organization	Taiwan Cooperative Bank Co., Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	
Underwriting institution	Taiwan Cooperative Securities Co., Ltd. is the leading underwriter, and Land Bank of Taiwan Co., Ltd. is the co-underwriter	
Certified Lawyer	Zhong-Jie Wei	
Certified Public Accountant	Ti-Nuan Chien	
Reimbursement Method	Bullet repayment at maturity	
Outstanding principal amount	NT\$1,900,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2019 3rd Secured Ordinary Corporate Bonds.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2019 3rd Secured Ordinary Corporate Bonds.	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

April 15, 2023

Type of Corporate Bonds	2021 1st Secured Ordinary Corporate Bonds (Code: B85108)	
Issuance (handling) date:	November 10, 2021	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	NT\$2 billion in total	
Interest rate	Coupon rate: fixed rate at 0.57% per annum	
Period	5-year period, maturity date: November 10, 2026	
Guarantee Organization	Taiwan Business Bank Co., Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	
Underwriting institution	BankTaiwan Securities Co.,Ltd.	
Certified Lawyer	Zhong-Jie Wei	
Certified Public Accountant	Yi-lien Han	
Reimbursement Method	Bullet repayment at maturity	
Outstanding principal amount	NT\$2,000,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2021 1st Secured Ordinary Corporate Bonds.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2021 1st Secured Ordinary Corporate Bonds.	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

April 15, 2023

Type of Corporate Bonds	2022 1st Secured Ordinary Corporate Bonds (Code: B85109)	
Issuance (handling) date:	Apr. 11, 2022	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	NT\$2 billion in total	
Interest rate	Coupon rate: fixed rate at 0.85% per annum	
Period	5-year period, maturity date: Apr. 11, 2027	
Guarantee Organization	Mega International Bank Co., Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	
Underwriting institution	Mega Securities Co.,Ltd.	
Certified Lawyer	Zhong-Jie Wei	
Certified Public Accountant	Yi-lien Han	
Reimbursement Method	Bullet repayment at maturity	
Outstanding principal amount	NT\$2,000,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2022 1st Secured Ordinary Corporate Bonds.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2022 1st Secured Ordinary Corporate Bonds.	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

(II) Information on Corporate Bonds Maturing Within 1 Year:

Type of Corporate Bonds	B85105 2019 1st Secured Ordinary Corporate Bonds	B85106 2019 2nd Secured Ordinary Corporate Bonds
Release Date	Apr. 2, 2019	Apr. 2, 2019
Period	Apr. 2, 2019 to Apr. 2, 2024	Apr. 2, 2019 to Apr. 2, 2024
Outstanding principal amount	NT\$2,000,000,000	NT\$2,000,000,000
Reimbursement Method	Bullet repayment at maturity five years after the day of issuance	Bullet repayment at maturity five years after the day of issuance

(III) Information on convertible corporate bonds: None.

(IV) Information on exchanged corporate bonds: None.

(V) Shelf registration of corporate bonds issuance: None.

(VI) Information on corporate bonds with share options: None.

(VII) Private placement of corporate bonds during the three most recent years and up to the publication date of the annual report: None.

11. Preferred shares: None.

12. Global depository receipts: None.

13 Employee share subscription warrants: None.

14. New restricted employee shares: None.

15. Issuance of new shares in connection with mergers and acquisitions: None.

16. Financial plans and implementation

(I) Contents of the plans

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: None.

(II) Implementation of the plans

1. The Company issued the 2017 first batch of secured ordinary corporate bonds on August 23, 2017, with par value of NT\$2 billion for the purpose of repaying bank loans, and has already completed the funding and execution. The funds have repaid the bank in full in Q3 2017, with visible effect.

The company's first guaranteed ordinary corporate bonds in 2017 were issued on August 23, 2017 and matured after five years - matured on August 23, 2022. Based on the letter Zheng-Gui-Zhai No. 11104003852, dated July 1, 2022, issued by the Taipei Exchange, the trading will be terminated from the business day following the expiry date.

2. The Company issued the 2019 first batch of secured ordinary corporate bonds on April 2, 2019, with par value of NT\$2 billion for the purpose of repaying the 2014 first and second batch of secured ordinary company bonds, and has already completed the funding and execution. The funds have repaid the principal of the 2014 first and second batch of secured ordinary corporate bonds in the Q2 and Q3 2019, respectively.
3. The Company issued the 2019 second batch of secured ordinary corporate bonds on April 2, 2019, with par value of NT\$2 billion for the purpose of repaying bank loans, and has already completed the funding and execution. The funds have repaid the bank in full in Q3 2019, with visible effect.
4. The Company issued the 2019 third batch of secured ordinary corporate bonds on December 24, 2019, with par value of NT\$1.9 billion for the purpose of repaying bank loans, and has already completed the funding and execution. The funds have repaid the bank in full in Q4 2019, with visible effect.
5. The Company issued the 2021 first batch of secured ordinary corporate bonds on Nov. 10, 2021, with par value of NT\$2 billion for the purpose of repaying bank loans, and has already completed the funding and execution. The funds have repaid the bank in full in Q4 2021, with visible effect.
6. The Company issued the 2022 first batch of secured ordinary corporate bonds on Apr. 11, 2022, with par value of NT\$2 billion for the purpose of repaying bank loans, and has already completed the funding and execution. The funds have repaid the bank in full in Q2 2022, with visible effect.

V. Operational Highlights

1. Business Activities

(I) Business Activities

1. Major lines of business

- (1) Lease and sale of public housing and commercial buildings commissioned by construction companies.
- (2) The subsidiary Chin Chun Construction mainly contracts construction projects.

2. Major products and the business weight

2022	Business weight (%)
Construction revenue	95
Engineering revenue	5
Total	100

3. New products or services in planned development

(1) Construction business

The Company's core values are planning capabilities, construction quality and after-sales service, and it actively promotes the brand. Its direction of project development is that of self-construction or joint construction, and it seeks to expand land development areas, accumulate land inventory, and advance into other types of real estate markets. In terms of product planning, the key appeals are the current rigid market needs for self-occupied and first time buyers, with safety, health and environmentally friendly housing demands. The Company is committed to construct sustainable and smart buildings. In terms of after-sales service, the Company continues to monitor the needs of customers and the market, actively handle customer complaints, and improve the trust of home buyers in the Company.

(2) Construction/engineering business of the subsidiary Jin Jyun Construction

Chin Chun Construction is a comprehensive domestic construction company. Its main business is to contract construction and building projects. It is committed to providing high-quality construction services, upholding the high quality of construction projects, while continuously improving construction technologies and accumulating forward-looking construction management practices, and gradually expanding the business area in the construction industry.

(II) Industry Overview

1. Industry status and overview

(1) Construction business

Since Taiwanese traders gradually returned to Taiwan for investments in 2018, the market has been full of hot money, and the interest rate has been low. As a consequence, an enormous amount of funds has flown to the real estate market. However, impacted by the undesirable economic outlook, raised interest rate, enactment of the amendment to the Equalization of Land Rights Act, sentinel war before the presidential election and other adverse factors in 2022, the real estate market tended to watch-and-see and be conservative in 2023.

In the past, the house prices even remained unchanged in spite of frequent combat measures implemented against the real estate market for about 10 times, including four loan restrictions of the Central Bank, the real estate and tax integration tax 2.0 of the Ministry of Finance. As long as the rigid demands are strong, it is difficult to witness a decline in the house prices in a short term, and cost remains to be a major factor impacting the housing prices.

(2) Construction/engineering business of the subsidiary Jin Jyun Construction

With a view to realize carbon neutrality globally, the prices of steel and cement (the main materials of the real estate market) will only gradually increase. On the other hand, apart from earthquake threats under the natural geographical environment of Taiwan, aging and sub-replacement fertility also result in shortage of workers. The shortage of workers has become more and more serious in the labor market. In Taiwan, young people are generally unwilling to embark on labor work. As a result, the operating costs only increase and can hardly decline.

To reduce formation of many unstable factors, the Group is committed to developing new technologies. It has greatly transformed its original construction methods and processes. In the future, the construction technologies and project quality can be completely improved in accordance with new construction methods. This will not only alleviate the shortage of workers in the construction industry and solve earthquake problems, but also positively facilitate the concepts of low carbon and sustainability which arouse great global concerns.

2. Relationship among the industry's up-, mid-, and downstream

(1) Construction Industry

The construction industry combines the two sides of the manufacturing industry (house production) and the service industry (house sales and services), and is closely related to the steel industry, cement industry, sand and gravel industry, glass industry, tile industry, hardware industry, wire and cable Industry, sanitary equipment manufacturing industry and furniture industry. In addition, it activates the advertising, realtors,

decoration, utilities and other related industries, which will greatly help to boost the overall economic prosperity and benefits.

There are many upstream and downstream industries involved in the construction industry, and operation processes must rely on the cooperation and support of other industries such as manufacturing and mining. However, there may currently be joint ventures, shareholding, and investment for construction within domestic construction projects, construction companies and construction suppliers, which leads to a close cooperation among the upstream, midstream and downstream of the construction industry.

(2) Construction/engineering business of the subsidiary Jin Jyun Construction

Its main source is the contracts commissioned by construction companies. The upstream industry includes the ready-mixed concrete industry, steel materials and products industry, cement industry, mechanical and electrical equipment industry, and ceramic tile industry; the downstream industry includes realtors, the furniture industry, home appliance industry, lighting industry and insurance industry, among other things. Therefore, the prosperity of the construction industry has a great impact on the industries of related raw materials, and also affects the development of other related industries.

3. Product development trends and competition

(1) Construction business

In March 2023, the US Federal Reserve constantly raised the interest rate. When domestic inflation remained harsh, the Central Bank also announced in advance that there was still space for raising the interest rate. In addition, global economic outlook became undesirable, and the relationship between the two sides of the Taiwan Strait are highly uncertain. As a result, the watch-and-see atmosphere is intense in the market.

Taiwan's rapid demographic change, declining birthrate and aging population make the current family structure very different from the past. From the large family in the past to the small family now, low-cost small units have gradually become the new mainstream of the housing market. Furthermore, young people now are keen on high-tech lives, and technology and decoration technology are ever evolving. More and more furniture or home appliances are getting more compact or versatile. A spacious environment may still be enjoyed living in a small house. It is fair to say that small houses are the winning product for both aggressive and conservative buyers.

(2) Construction/engineering business of the subsidiary Jin Jyun Construction

These years, there has been a great shortage of workers, and the commodity prices have been raised. An increase has been witnessed in costs of building materials and wages year after year. In face of the shortage of workers, the Group has been dedicated to developing aluminum molds in place of plate molds so that the exterior walls will be smooth without priming. The preassembled reinforced bar columns are first welded at the factory and then hoisted on site. The wooden floors replace floor tiles. To pave floor tiles,

it is necessary to transport water and sand and mix them on the first floor. However, it only takes 3 days for construction of wooden floors. As a whole, after improvement of the construction process, it has been required that the construction workers on site have to be decreased by 20% to 30%. Furthermore, the architectural design groups have been imported into the BIM system for implementation, so in different parts of construction, problems on different jobs can be understood more accurately, and formworks of the aluminum systems are matched according to their specifications. This is one of the Group's strengths. Besides, the Group has been actively developing new technologies to improve its construction technologies and project quality.

(III) Overview of technology and research and development: The Company and its subsidiaries have invested considerable human resources and costs over the years, and have continuously introduced new services and systems to meet consumer demands for real estate transactions. However, the Company and its subsidiaries are mainly engaged in real estate construction and transactions, so R&D investment is not applicable.

(IV) Short-term and long-term operation plans

1. Short-term operation plans

(1) Construction business

① In 2022, we launched the "Dream City" in Keelung and the "Jing'an Wenhui" in New Taipei City and the "VVS1" in Taichung, which all witnessed excellent performance. And actively sell "Taichung Dibao" in Taichung...etc remaining unsold units. In 2023, the projects we are planning and expecting to launch are mainly located in De'an EF (Keelung), Wanfang in Wenshan (Taipei), Shanjie in Guishan (Taoyuan), and Run Long Park Hyatt (Tainan) ect.

② Promotions of major development projects are as follows:

a. Completed projects

Project Title	Location	Product	Sale rate	Units/parking lots to be sold
Shihengbin-Ueno District	Zhongshan District, Keelung City	Residence	95%	10 units; 10 parking lots
Shihengbin-Hoshino District	Zhongshan District, Keelung City	Residence and commercial	98%	13 units; 13 parking lots
Bokelai Park	Banqiao District, New Taipei City	Residence and commercial	98%	3 units; 3 parking lots
Kuobin Da Yuan	Xindian District, New Taipei City	Residence	71%	7 units; 12 parking lots
Kuobin Kuandi	Neihu District, Taipei City	Residence and commercial	96%	4 units; 7 parking lots

Project Title	Location	Product	Sale rate	Units/parking lots to be sold
Taichung Dibao	Xitun District, Taichung City	Residence	73%	12 units; 31 parking lots
NTC National Trading Center	Xitun District, Taichung City	Commercial	97%	4 units; 63 parking lots
Wenhua Run Long	Lingya District, Kaohsiung City	Residence and commercial	99%	4 units; 4 parking lots

b. Pre-sale projects

Project Title	Location	Product	Current progress of sales
Dream City	Zhongshan District, Keelung City	Residence and commercial	35%
Jing'an Wenhui	Zhonghe District, New Taipei City	Residence	13%
National Central City	Chungli District, Taoyuan City	Residence and commercial	86%
Juke Run Long	East District, Hsinchu City	Residence and commercial	99%
Shicheng Aiyue	Xitun District, Taichung City	Residence and commercial	99%
Taichung Chungcheng (VVS1)	Xitun District, Taichung City	Residence and commercial	97%
Run Long Park Hyatt	Anping District, Tainan City	Residence and commercial	45%
Shuhoyuan	Sanmin District, Kaohsiung City	Residence and commercial	99%

c. Future projects

Project name (provisional)	Location	Product	Schedule of promotion
Keelung De An E、F	Zhongshan Distric, Keelung City	Residence	Under planning
Wanfang, Taipei City	Wenshan District, Taipei City	Residence	Under planning
Taoyuan Shanjie	Guishan District, Taoyuan City	Residence and commercial	Under planning

(2) Construction/engineering business of the subsidiary Jin Jyun Construction

- ①The business direction of vertical integration (civil engineering/electromechanical and construction/electromechanical).
- ②Cultivate relevant talents and improve the quality of professional human resources.
- ③Deepen the application of BIM technology and smart technologies in construction management.

2. Long-term operation plans

(1) Construction business

- ①Long-term business development should strengthen organizational efficiency, reduce unit costs, enhance market competitiveness, apply informatization, urban renewal plans and incentives, and flexibly use land development strategies to reduce land development costs and increase the Company's profits.
- ②Commit to product planning for meeting the diversified needs of buyers, while maintaining a good after-sales service system, so that customers may refer new customers to improve sales performance.

(2) Construction/engineering business of the subsidiary Jin Jyun Construction

- ①Actively enhance brand (quality) recognition.
- ②Improve the breadth and depth of products.
- ③Actively research and develop other highly professional construction methods and technologies.
- ④Introduce digital technology and innovation.

2. Market and Sales Overview

(I) Market Analysis

1. Geographic areas where the main products are sold

The Company's business is the construction and sale of real estate. The subsidiary mainly contracts construction projects from the Group's development projects. Real estate construction mainly selects areas with convenient transportation, complete living functions

and with development potential.

2. Market share, analysis of future supply and demand and market growth

(1) Construction business

Domestic real estate market is widely distributed in different areas. The main promotion areas vary among companies, so do their selling prices and strategies, which are dependent upon customers' preferences. The product locations and characteristics differ. Besides, the industry competitions are mostly regional and on a case-by-case basis. Therefore, product planning and design, positioning, engineering management, quality requirements and aftersales services will become favorable indexes for customers to decide to buy. The construction proposals launched by the Company in the past years have been mainly specific to major urban areas, including Keelung City, New Taipei City, Taoyuan City, Taichung City, Tainan City and Kaohsiung City. With remarkably high sales ratio, these proposals have been highly recognized by consumers.

In 2022, the real estate market was hot before it became cold as though experiencing Sauna effect. Impacted by raising interest rate, amendment to laws and other major environmental factors, there are still rigid demands, medium and long-term real estate customer groups in 2023 despite shrinkage of the real estate market. Most people are merely watching and see. The real estate market remains stable with increase in transaction volume. In terms of product planning, small and medium-sized houses are still major products of the market. The house prices depend upon the demands in the global supply chain, including inflation and interest raising of the United States, and situation of the Ukraine-Russia war. However, from the constant increase in prices of the raw materials, it is evident that there is no likelihood for the house prices to drop or become pessimistic. Instead, the house prices will only increase slowly. It is forecast that the market won't be subject to significant changes until people come up with the election topic in the latter half of 2023.

(2) Construction/engineering business of the subsidiary Jin Jyun Construction

At present, Chin Chun Construction mainly undertakes the construction projects of affiliates for development. Chin Chun Construction continues to improve and strengthen its project management system, including talent cultivation, and progress, quality, and contract management and maintenance, to improve the overall management efficiency of the Company to improve external competitiveness.

The Group uses innovative digital technologies to improve productivity, such as using the 3D "Building Information Modeling" (BIM), and unmanned robots to move materials (with automated warehousing and moving systems), to help construction companies solve labor shortages and improve efficiency.

Since 2021, the price index of the construction projects has increased due to imported inflation and COVID-19. In 2021, it increased by 10.93%, which had broken a record high

since 2009, and the price index kept rising by 7.37% in 2022 when the prices of all materials rose regardless of cement, concrete or even metal products. With the constant increase of costs, a cautious attitude was still held towards the prosperity of the construction industry in the next half a year.

3. Competitive niches, long-term opportunities, threats, and countermeasures

(1) Construction projects

1. Competitive niches and long-term opportunities:

- (a) Rigid demand such as self-occupation and house replacement remains strong.
- (b) The government has been promoting construction or expansion of industrial, science and technology parks, thus driving the demands for factory buildings, factory offices and industrial real estate in surrounding areas.
- (c) In urban districts, old offices have been gradually eliminated. The enterprises have had greater demands for expanding and upgrading their office spaces.
- (d) The government continues to promote the policy of urban renewal and endangered elderly ordinances and encourages residents to participate in redevelopment.

2. Threats:

- (a) Both construction and material costs have increased. The interest rate for land and construction financing has been regulated. As a result, the returns on investments are not as expected.
- (b) As the Equalization of Land Rights Act was promulgated after it was read out for three times, the investors have withdrawn from the real estate market.
- (c) In 2022, the Central Bank raised the interest rate for four times. The heavier pressure from housing loans has made most market consumers watch and see.
- (d) Six City precious land is scarce and difficult to obtain, the cost is higher, the integration time is longer, and the development difficulty increases.

3. Countermeasures:

- (a) Continue to refine calculation methods for precise control of the return rate of projects, and reasonably and prudently estimate the sales price after the development is completed.
- (b) Continue to monitor development trends of commercial real estate, and invest in commercial or plant development when suitable.
- (c) Actively evaluate and participate in the government authorities' cases on investment promotions, thus increasing the occupancy rate of six cities.
- (d) Rolling adjustment of development strategy, active southward layout.

(2) Construction/engineering business of the subsidiary Jin Jyun Construction

1. Competitive niches and long-term opportunities

- (a) As customers gradually come to care more about construction quality and technology, it is positive to comprehensive construction companies which specialize in construction engineering technologies with good corporate image and various achievements.
- (b) Cooperate with the Group to develop the 3D building information modeling (BIM) system and unmanned robot material transporting (with automated warehousing and moving systems), to enhance construction value and competitiveness with all-round services.

2. Threats

- (a) The number of Grade-A construction plants in Taiwan continued to increase, and the competition in the construction contracting market was fierce. In addition to the impact of rising raw materials and labor shortages, the profits of construction contractors were still unable to rebound significantly.
- (b) At present, the operations of construction sites still require workers and enormous human resources support. In addition to climate and equipment factors, human factors are uncertain. As a consequence, it is hard to control construction quality. In this case, construction progress is delayed and intangible construction costs increase.
- (c) Young people's willingness to invest in the construction industry is low. Coupled with the impact of the epidemic, the problem of lack of work is becoming more and more serious.

3. Countermeasures

- (a) Through contracting diversified construction projects, accumulating various construction experience, establishing long-term operating core competitiveness, enhancing the technical capabilities of the more complex old and existing construction methods, and introducing new technical talents, it is possible to achieve technological optimization and the goal of expanding the technical field for reducing costs and improving competitiveness.
- (b) Construction technology is refined, the standard steps and detailed drawings of each construction project are established, and the function and substitution of each material are understood deeply. In the supervision process, it is necessary to be practical and get to the bottom, to ensure that all products are in compliance with customers' requirements and quality standards.
- (c) Committed to the research and development of new technologies and automation of construction projects, such as the pre-casting construction method, to complete most of the construction needs in the factory, reducing the manpower requirement on the construction site.

(II) Main products and manufacturing process

1. Major products and their main uses

- (1) Development, construction, lease and sale of public residences and commercial buildings, while centering on the domestic market, to develop and construct community-type high-end residences, villas, buildings and other products.
- (2) Construction/engineering business of the subsidiary Jin Jyun Construction
Undertake residential, commercial and office building construction projects.

2. Production process of products

- (1) Construction projects: The self-build process of residences is as follows
Land development → product planning → planning and design → marketing preparation → sales operation → construction → property title registration → handover → after-sales service
- (2) Construction/engineering business of the subsidiary Jin Jyun Construction: Contracting for engineering:
Business development → estimate → bidding (bargaining) → tender awarding with contract signing → construction budget → construction plan → material and manpower arrangement → construction management → completion → completion review

(III) Supply of major source materials

1. Construction business

(1) Land

The Company has the land development department. Besides the development department actively looking for suitable lands, suitable lands may be introduced through land brokers. In addition, the Company also cooperates with landlords in the form of joint construction or participates in urban renewal development based actual needs. The supply of lands is stable.

(2) Construction projects

The Company selects robust construction companies to cooperate, and controls the construction progress and ensures the quality of construction.

(3) Materials

To reduce cost and for the construction progress, for more flexible utilization and control over outsourcing operations, material procurement takes place through in-house price comparison, combination of construction and material procurement, or joint-outsourcing. Therefore the supply of materials is stable.

2. Construction/engineering business of the subsidiary, Jin Jyun Construction

For the main bulk materials for construction projects such as steel bars, steel sheets, concrete, sand, long-term cooperation is maintained with vendors despite constant increase in prices of building materials and labor costs as well as the constructors' cost pressure. Therefore, the supply situation is still stable.

(IV) Suppliers and clients accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the two most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each

1. Major supplier in the the two most recent fiscal years

Unit: NT\$ thousand

		2021			2022				2023 up to the previous quarter (Note 1)			
Item	Title	Amount	As a percentage of net purchases for the year (%)	Relation	Title	Amount	As a percentage of net purchases for the year (%)	Relation	Title	Amount	As a percentage to net purchases as of the previous quarter of the year (%)	Relation
1	Individual (Mr. Chen)	2,097,554	21%	None	—	—	—	—	—	—	—	—
2	Japanese Company Hua Da Cheng Construction Engineering Co., Ltd. Taiwan Branch.	1,063,244	11%	None	—	—	—	—	—	—	—	—
	Others	6,768,302	68%	None	Others	9,733,943	100%	None	Others	—	—	—
	Net Purchase	9,929,100	100%		Net Purchase	9,733,943	100%		Net Purchase	—	—	—

Note 1: the 2023 Q1 financial statements have not been reviewed by the CPAs and thus will not be disclosed.

Note 2: Reason for changes: Mainly, no single supplier accounted for more than 10% of the company's annual net sales in 2022.

2. Major customers in the the two most recent fiscal years

Unit: NT\$ thousand

		2021			2022				2023 up to the previous quarter (Note 1)			
Item	Name	Amount	Percentage (%)	Relation	Name	Amount	Percentage (%)	Relation	Name	Amount	As a percentage to net sales as of the previous quarter of the year (%)	Relation
1	—	—	—	—	—	—	—	—	—	—	—	—
	Others	10,479,267	100%		Others	2,485,724	100%		Others	—	—	—
	Net Sales	10,479,267	100%		Net Sales	2,485,724	100%		Net Sales	—	—	—

Note 1: the 2023 Q1 financial statements have not been reviewed by the CPAs and thus will not be disclosed.

(V) Production volume and value in the two most recent years

Unit: NT\$ thousand

Product \ Year Volume	2021			2022		
	Capacity	Volume	Value	Capacity	Volume	Value
Houses	—	926 units	5,145,191	—	214 units	1,565,708
Construction	—	—	773,500	—	—	111,300
Others	—	—	17,218	—	—	9,322
Total Amount	—	—	5,935,909	—	—	1,686,330

Note 1: The production volume and value of houses are the total units completed in the year and their total costs.

Note 2: Others are leasing and spare parts sales costs.

(VI) Sales volume and value in the two most recent years

Unit: NT\$ thousand

Product \ Year Volume	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Houses	1,243 units	9,638,471	—	—	186 units	2,353,101	—	—
Construction		825,576	—	—		116,644	—	—
Others		15,220	—	—		15,979	—	—
Total Amount		10,479,267	—	—		2,485,724	—	—

Note 1: The sales volume and value of houses are the total sold units and amount recognized as the construction revenue in the year.

Note 2: Others are leasing and spare parts sales revenue.

3. Employee information in the two most recent fiscal years and up to the date of publication of the annual report

Year		2021	2022	Current year up to April 15, 2023
Number of employees	Employees	160	158	161
	Engineers	98	109	118
	Total Amount	258	267	279
Average age		39	39.04	38.88
Average years of service		5	5.24	5.37
Educational background distribution	PhD	0.00	0.00	0.00
	Master's	6.20	5.24	5.73
	College Graduate	86.04	83.15	83.51
	Senior High School	6.98	10.49	9.68
	Below senior high school	0.78	1.12	1.08

4. Environmental Protection Expenditure

(I) Any losses suffered by the Company in the most recent fiscal year and up to publication date of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

Our main business activities consist of the construction and sales of buildings. We outsource construction with or without materials procurement to contractors, who will be responsible for the processing and disposal of wastes. The Company assumes a supervisory role, and therefore, did not recognize any losses from environmental pollution penalties during the last year and up to the publishing date.

(II) An estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

1. Responding measures expected to be taken: The Company stipulates in its contracts that construction partners shall take whole responsibility for any pollution during construction, and the Company is responsible for monitoring. The Company assumes a supervisory role.

We have the following measures in place to prevent pollution:

- ① Select the most appropriate construction methods based on the geology and the neighboring areas of the location to minimize noise and vibrations.
- ② Some works (such as continuous wall construction or concrete grouting) require continuous construction, which may cause construction during the night. In addition to maintaining good relations with neighbors, it is necessary to control the progress of the project and reduce construction during the night.
- ③ Set up protection nets around the site to prevent dust and stones from flying or falling.
- ④ Vehicles accessing the sites are required to clean their tires and body at the car-washing platform before leaving the sites; gates are designated as the security personnel's responsibility area, to enhance the the supervision of vehicle cleaning when accessing the gates; strengthen water spraying to clean roads.
- ⑤ Carry out the 5S (sort, set in order, shine, standardize, and sustain) cleanup campaign at the sites to keep the surrounding environment clean.

2. Expected environmental expenditure for the next three years: None.

3. Impact after the improvement: None.

5. Labor Relations

(I) Employee welfare measures, continuing education, training, retirement, and their implementation status; labor agreements and measures to safeguard employees' interests

1. Employee welfare measures

The Company has always emphasized employee benefits and established the Joint Employee Welfare Committee, to regularly hold birthday celebrations, medical and various other activities. All in-service employees may participate. The source of funds is allocated from the Company's operating revenue, and the Employee Welfare Committee is responsible for management and utilization. The members of the Welfare Committee are elected by employees and are re-elected regularly to promote benefits. Employee welfare measures include labor and health insurance, group insurance, regular health checks, employee uniforms, birthday celebration and gifts, subsidies for weddings, funerals, and childbirth, emergency relief and other subsidies and holiday bonuses.

2. Continuing education training of employees

The Company's employee training is based on internal management measures, and the management department formulates the training procedures, to conduct the pre-employment and on-the-job training for employees through internal training or by external organizations, so that employees may fully leverage their talents and continue to improve their knowledge and skills, to improve working efficiency.

Continuing education training received by employees of the Company and its subsidiaries in the most recent year (2022):

Training Program	Time of training	Training fee (NT\$)	Target
IFRS Adoption Seminar (Selective Package) (Taipei Class)	12 hours	8,000	Accounting staff
Notes on updating of the laws and regulations on real estate and land integration taxes 2.0	2 hours	0	Accounting Officer And 10 Accounting staff
Promotion meeting on greenhouse gas inventory and verification	3 hours	0	Administration Dept. Officer
Industrial thematic promotion meeting on sustainable development paths (about electronics)	3 hours	0	Administration Dept. Officer
Industrial thematic promotion meeting on sustainable development paths	2 hours	0	Administration Dept. Officer
Comply with ESG in combination with practices and across labor laws	6 hours	3,500	Audit officer
Promotion meeting on greenhouse gas inventory and verification	3 hours	0	Administration Dept. Officer
Continuing training course for accounting supervisors of issuers, securities firms and stock exchanges	12 hours	8,000	Accounting Officer
How to adjust internal control rules and respond to new ESG rules	6 hours	3,300	Auditors
How to explore and improve operating procedures with digital technologies	6 hours	3,300	Auditors
Workshops on service laws and regulations, and practices of the shareholders' meetings	6 hours	3,500	Audit officer
How to implement ESG in corporate sustainability practices	3 hours	0	Administration Dept. Officer
Seminar of Listed company's business.	3 hours	0	stock staff
Promotion and information meetings on information security of listed companies in 2022	2 hours	0	information staff
SSCP Information Security Professional Certification Course	40 hours	40,630	information staff
2022 Seminar on Promoting the Adoption of IFRS in Taiwan	3 hours	0	Accounting Officer Accounting staff
Pre-employment training	1 hour	0	newcomers
Basic Construction Engineering Training	9 hours	0	All engineers of sites throughout Taiwan
Advanced Engineering Professional Training	13 Hours	0	Construction site vice supervisor (and above) personnel throughout Taiwan

Training Program	Time of training	Training fee (NT\$)	Target
General knowledge training	10 Hours	0	All public works staff of sites throughout Taiwan
Management training for executives of public works	5 Hours	0	Construction site director level (and above) personnel throughout Taiwan
Construction sites cross observation training	16 hours	0	All public works staff of sites throughout Taiwan
Specialized electromechanical training	14 Hours	0	All electrical staff of sites throughout Taiwan

3. Retirement system

The Company accommodates the enforcement of the Labor Pension Act (hereinafter referred to as the “new system”). For employees who choose to use the new system, their service years after adopting the new system, and the service years of employees who are employed after the implementation of the new system, the definite contribution system will be applied. The payment of the pension is made by the Company on a monthly basis at a minimum of 6% of the monthly salary and deposited in their individual labor pension account.

4. Other important agreements

The Company has always been people-oriented, abiding by relevant labor laws and regulations, protecting the legitimate rights and interests of employees, establishing a complete management system for employee welfare, work safety and health, education and training, etc., and issuing performance bonuses, year-end bonuses and employee remuneration based on operating results each year, so the personal interests of employees and the interests of the company are combined to create a belief in co-prosperity and coexistence.

(II) List any losses suffered by the Company in the two most recent fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

6. Information Communication Security Management

(I) State the information security risk management structure, the information security policy, the specific management plan, and the resources invested in the security management of the information communication, etc.:

1. Information security risk management framework:

At present, the Company's information staff belong to the management department. They perform information and communication security management and carry out specific management preventive plans such as information security and crisis handling, and implementing corresponding security control measures, while continuously improving internal abnormality detection and protection methods to reduce corporate information security risks.

In response to the Guidelines for the Formulation of Internal Control Rules by Public Companies, the Company will appoint information security executives and at least one information security officer by the end of December 2023, to formulate the Company's information security policies, plan information security measures and perform operations related to information security.

2. Information Security Policy:

(1) Compliance with laws and regulations:

In conducting businesses, the Company shall observe government laws, regulations and standards regarding information and communication security and personal information protection.

(2) Safety education:

Perform regular education and training on information and communication safety. Promote policies and implementation rules on information and communication safety.

(3) Resource planning:

Establish a management mechanism for information resources. Distribute resources in a coordinated manner and utilize them effectively to solve safety problems.

(4) Beforehand prevention:

Before establishment or launch of new information systems or services, information and communication security factors shall be taken into account, to prevent circumstances which endanger security.

(5) Security monitoring:

Establish measures for monitoring and protecting information and communication security. Perform regular inspections.

(6) Authorization management:

Clearly specify the access to information systems, network services and sensitive information, to prevent unauthorized access.

(7) Review and improvement:

Define and carry out internal and external audits, to implement information and communication security management rules, and make improvements with respect to the unsettled matters.

(8) Business continuity:

Define operation maintenance plans for information and communication security, and organize practical drills, to ensure responses to emergencies when they occur.

(9) Information security cultures:

All employees shall be responsible for information and communication security. They shall understand and abide by rules on information and communication security, which shall be implemented in performing their duties.

At present, the Company has not passed international certification with respect to its information security policies and specific management proposals. According to the extent to which the information security risks identified by the Information Department of the Company are tolerated, it is still unnecessary to buy insurances against information security risks.

3. Specific management plan:

The company has not yet purchased insurance for information security, so at this stage, the company's existing information security management procedures are used to implement information security risk management. The relevant specific implementation measures are as follows:

(1) Network Security Management

- ① Configure an enterprise-level firewall to block illegal intrusions by hackers.
- ② Use Hi-Link VPN enterprise dedicated line with the North, Central and South branches, and use the data encryption method to avoid illegal capture during data transmission.
- ③ Configure an electronic data control system for controlling communications of internal and external networks and monitoring network traffic. This cannot only enhance cyber security and shield access to harmful or forbidden websites and contents, but also prevents inappropriate occupation of band width, to prevent materials and viruses from spreading through transmission control.

(2) System Access Control:

- ① The use of various application systems in the company must go through the information service request application process. After approval by the authority and responsibility supervisor, an account will be created in the IT section, and each system administrator can activate the permissions according to the functions applied for before it can be used.
- ② The password setting of the account must meet the specified strength, and must be mixed with alphanumeric characters to be accepted.
- ③ When colleagues go through the resignation procedures, they need to contact the information personnel of the management department to delete the accounts and permissions of each system.

(3) Implement information security training:

- ① Increase the employees' awareness of information security. Irregularly promote patterns of email social attacks by email, and commit irregular social engineering drill.

②Information security courses are added to the education and training of new recruits.

③On-the-job training for colleagues, special training sessions are held every quarter for colleagues who violate information security regulations.

(4) Virus protection and management:

①Endpoint protection software is installed on the server and colleagues' computer equipment, and the virus pattern is automatically updated to ensure that the latest viruses can be blocked.

②The email server is equipped with an advertisement spam filtering mechanism to prevent viruses or spam from entering the user's PC.

(5) Ensure system availability:

①Construct a hardware virtualization system to increase system availability and fault tolerance.

②Build a backup management system, and regularly keep one of the daily backup data in the computer room, and the other in a different place (the Taichung branch computer room) for mutual backup.

③Disaster recovery drills are carried out on a regular basis, and after the restoration reference point is selected, the backup file is restored to the system host.

(6) Security management of computer equipment:

①The company's computer host, various application servers, etc. are all set up in a dedicated computer room. The computer room is locked at any time to strictly control the entry and exit of personnel, and records are kept for inspection.

②There are independent air conditioners and uninterruptible power supply systems in the information room to keep the computer equipment running at a suitable temperature, and the operation of the computer application system will not be interrupted when the power is cut off.

③To build a device management system, only mobile devices and USB devices certified by the company can be connected to the company's intranet and access data.

4. Resources invested in information security management: "Information Security Measures Implementation Results" in 2022 are as follows:

(1) Internal Audit Office

From February 10 to February 24, 2022, the audit organization audited “the control over purchase, use and maintenance of the hardware and system software” and the “control over information security management”. In the auditing process, one deficiency was detected.

From March 28 to March 31, 2022, the audit organization “tracked improvements of the deficiencies and exceptions detected in the preceding quarter’s audit” as planned. For the deficiency discovered in February 2022, the tracking results suggested that the original

inspected unit had taken appropriate measures for improvement, and no other exception or deficiency was detected.

- (2) The Company was listed as an object of internal control and audit in Q2, 2022 by the exchange in its letter

In its letter dated May 18, 2022, the exchange listed the Company as an object of internal control and audit in Q2, 2022. In the reply letter of the exchange dated July 27, 2022, the audit results suggested that the Company demonstrated one deficiency in “control over 101000 information and communication security management, a part of the internal control over processing of electronic data”.

From September 14 to September 19, 2022, the audit organization “tracked improvements of the deficiencies and exceptions detected in the preceding quarter’s audit” as planned. For the deficiency discovered in July 2022, the tracking results suggested that the original inspected unit had taken appropriate measures for improvement, and no other exception or deficiency was detected. On October 4, 2022, a report was made to Taiwan Stock Exchange Corporation and the Company’s certified public accountants in the form of a letter for further reference.

- (3) Mail threat statistics

Currently, the Company has installed a spam control mechanism to filter and intercept malicious or advertisement mail.

- (4) Anti-virus interception

Anti-virus software is installed on the Company’s computers to prevent viruses from getting into computers and spreading.

- (5) Information security incidents in the year

Time	Information security incident	Treatment
2022/08	Updated the Microsoft operating system	From August 1, 2022, to December 31, 2022, the version has been updated to Windows 10 Ver.21H2.
2022/10	Updated the version of the anti-virus software	Updated the version to 9.1.2057.0
2022/12	Changes in login passwords of personal computers	Password length of more than six characters, with a combination of uppercase or lowercase letters in English and figures

- (6) Invest resources for information and communication security management

- ① A professional information security service provider assists with backup of firewall connection rules and management consultation, authorization of anti-virus and backup systems and management consultation, advanced integrated endpoint protection...and

other services. The monthly expenditures and annual total expenditures for these services were approximately NT\$ 116,200 and NT\$ 1,394,400 respectively.

② On October 31, 2022, the information staff attended the online “promotion and information meetings on information security of listed companies in 2022”.

③ Since November 24, 2022, the information staff has took SSCP of 40 hours in total.

(7) Attend the Group’s information security meetings, announce and share the latest information security risks and methods for fixing information security vulnerabilities.

5. Effect of damage to information systems upon the company's business affairs, as well as response measures being or to be taken:

The Company’s information system is under construction. In the hardware area servers with high stability have been set up and in the software area the information systems, software and default system parameters are regularly backed up and there is a complete data back-up mechanism to ensure service downtime is shortened.

With uninterrupted information services and information safety, the information unit under the management department regularly sends back-up data for storage in other places and there are regular drills for post-disaster recovery measures, to prevent the interruption of information services and shorten the recovery time from natural disasters or human accidents.

In order to get the information system smoothly back on track and reduce losses after the damage has occurred, in addition to regular drills for post-disaster recovery measures, the Company shall continue to plan, design, and improve the resource efficiency of software and hardware equipment, and to construct a network protection mechanism with a high-security level to reduce the risks of system damage.

In recent information security threat analysis, most of the threats come from external hacker attacks, followed by the negligence of internal employees and lack of information security awareness. The root cause of these information security incidents is that users open and click on phishing emails and execute them Caused by unknown malware. Therefore, information security protection requires the company's comprehensive consensus and full participation, only by gradually developing employees’ risk awareness and information security protection capabilities through working habits and company culture, can the information security defense capabilities truly be strengthened.

(II) List the losses, possible impacts, and countermeasures of major information security incidents in the most recent year and up to the date of publication of the annual report. If it is impossible to estimate reasonably, the facts that cannot be reasonably estimated shall be stated:

As of the year 2022 and the date of publication of the annual report, the Company has not suffered any major losses due to information security incidents.

7. Important Contracts

Apr. 15, 2023

Type	Counterparty	Start and end date of contract	Content	Restrictive Provisions
Construction contract	Chiyuh Construction	Contract Date Aug. 31, 2015 ~ Warranty expires	Construction project contract (Chungyen A+)	None
	Guoyuan Construction Co., Ltd.	Contract Data Jun. 1, 2018 ~ Warranty expires	Construction project contract (Bokelai Park)	None
	Chiyuh Construction	Contract Date Dec. 21, 2018 ~ Warranty expires	Construction project contract (Wenhua Run Long)	None
	Taisei Corporation	Contract Date Feb. 21, 2019 ~ Warranty expires	Construction project contract (Shihengbin-Shangye District)	None
	Taisei Corporation	Contract Date Feb. 21, 2019 ~ Warranty expires	Construction project contract (Shihengbin-Xingye District))	None
	Taisei Corporation	Contract Date Feb. 21, 2019 ~ Warranty expires	Construction project contract (Dream City)	None
	Chiyuh Construction	Contract Date Apr. 15, 2019 ~ Warranty expires	Construction project contract (Shihengbin-Shangye District)	None
	Chiyuh Construction	Contract Date Aug. 23, 2019 ~ Warranty expires	Construction project contract (Juke Run Long)	None
	Taisei Corporation	Contract Date Apr. 26, 2021 ~ Warranty expires	Construction project contract (Taipei Wanfang)	None
	Highwealth Sunglory Institution	Contract Date Apr. 10, 2018 ~ Warranty expires	Construction project contract (Xindu section)	None
Joint construction contract	Chuangding Construction Co., Ltd.	Contract Date Dec. 3, 2015 ~ Joint construction and house handover completed	Yuanton Section, Chungho District, New Taipei City (Jing'an Wenhui)	None
	Mr. Chang and two other people Kao Yun Investment	Contract Date Nov. 28, 2017 ~ Joint construction and house handover completed	Guangwu, Hsinchu City (Juke Run Long)	None
	Highwealth Construction	Contract Date Aug. 13, 2019 ~ Joint construction and house handover completed	Huian Section, Xitun District, Taichung City (Shicheng Aiyue)	None
Joint investment	Huan Ding Development Hai Ju Construction	Contract signing date: April 19, 2013 to the completion and conclusion of the project	Dean Section, Chungshan District, Keelung City.	None

Note 1: Only includes construction contracts with value above NT\$ 300 million (before taxes).

Note 2: Only includes joint construction contracts with a deposit(check) of at least NT\$ 30 million.

VI. Financial Profile

I. Condensed balance sheet, comprehensive income statement and audit opinion of CPAs in the five most recent years

(I) Condensed Balance Sheet and Comprehensive Income Statement

1. Condensed Balance Sheet - consolidated financial statements

Unit: NT\$ thousand

Item	Year	Financial analysis in the five most recent years (Note 1)					Financial analysis as of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Current assets		19,416,911	24,473,681	32,877,608	35,529,894	43,930,387	—
Property, plant and equipment		1,970,122	1,601,532	243,860	237,243	232,087	—
Intangible assets		8,738	10,046	15,051	14,380	16,218	—
Other assets		1,008,909	3,034,120	3,661,471	3,543,494	4,636,079	—
Total assets		22,404,680	29,119,379	36,797,990	39,325,011	48,814,771	—
Current liabilities	Before distribution	10,110,691	12,901,157	23,527,423	24,367,806	32,568,146	—
	After distribution (Note 3)	12,577,335	13,517,818	23,601,423	25,152,199	32,838,762	—
Non-current liabilities		4,983,713	10,703,294	8,199,631	8,282,194	10,223,298	—
Non-current liabilities	Before distribution	15,094,404	23,604,451	31,727,054	32,650,000	42,791,444	—
	After distribution (Note 3)	17,561,048	24,221,112	31,801,054	33,434,393	43,062,060	—
Interests attributable to parent company owner		7,310,276	5,514,928	5,070,936	6,675,011	6,023,327	—
Share Capital		3,083,305	3,083,305	3,699,966	3,921,966	4,510,261	—
Capital surplus	Before distribution	1,272,626	779,297	168,389	21,376	22,601	—
	After distribution (Note 3)	779,297	162,636	20,389	21,376	22,601	—
Retained earnings	Before distribution	2,868,826	1,551,272	1,052,113	2,575,943	1,359,891	—
	After distribution (Note 3)	895,511	934,611	904,113	1,203,255	1,089,275	—
Other interests		85,519	101,054	150,468	155,726	130,574	—
Treasury stock		0	0	0	0	0	—
Previous equity under joint control		0	0	0	0	0	—
Non controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	—
Total equity	Before distribution	7,310,276	5,514,928	5,070,936	6,675,011	6,023,327	—
	After distribution (Note 3)	4,843,632	4,898,267	4,996,936	5,890,618	5,752,711	—

Note 1: The information above was certified by accountants.

Note 2: the 2023 Q1 financial statements have not been reviewed by the CPAs and thus not to be disclosed.

Note 3: The figures after distribution for 2022 were presented based on the proposal of the Board of Directors in the meeting on March 10, 2023.

2. Condensed Balance Sheet - parent company-only financial statements

Unit: NT\$ thousand

Item	Year	Financial analysis in the five most recent years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		18,190,039	22,843,851	31,299,034	33,467,156	41,780,022
Property, plant and equipment		1,969,727	1,599,259	240,696	234,619	229,972
Intangible assets		2,250	2,878	2,129	1,471	2,488
Other assets		1,551,479	3,629,017	4,218,903	4,036,756	5,211,114
Total assets		21,713,495	28,075,005	35,760,762	37,740,002	47,223,596
Current liabilities	Before distribution	9,419,506	11,856,783	22,490,195	22,782,797	30,976,971
	After distribution (Note 2)	11,886,150	12,473,444	22,564,195	23,567,190	31,247,587
Non-current liabilities		4,983,713	10,703,294	8,199,631	8,282,194	10,223,298
Non-current liabilities	Before distribution	14,403,219	22,560,077	30,689,826	31,064,991	41,200,269
	After distribution (Note 2)	16,869,863	23,176,738	30,763,826	30,280,598	41,470,885
Interests attributable to parent company owner		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Share Capital		3,083,305	3,083,305	3,699,966	3,921,966	4,510,261
Capital surplus	Before distribution	1,272,626	779,297	168,389	21,376	22,601
	After distribution (Note 2)	779,297	162,636	20,389	21,376	22,601
Retained earnings	Before distribution	2,868,826	1,551,272	1,052,113	2,575,943	1,359,891
	After distribution (Note 2)	895,511	934,611	904,113	1,203,255	1,089,275
Other interests		85,519	101,054	150,468	155,726	130,574
Treasury stock		0	0	0	0	0
Previous equity under joint control		0	0	0	0	0
Non controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Total equity	Before distribution	7,310,276	5,514,928	5,070,936	6,675,011	6,023,327
	After distribution (Note 2)	4,843,632	4,898,267	4,996,936	5,890,618	5,752,711

Note 1: The information above was certified by accountants.

Note 2: The figures after distribution for 2022 were presented based on the proposal of the Board of Directors in the meeting on March 10, 2023.

3. Condensed statement of comprehensive income - consolidated financial statements

Unit: NT\$ thousand

Item	Year	Financial analysis in the five most recent years (Note 1)					Financial analysis as of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Operating revenue		13,845,007	4,198,656	7,656,236	10,479,267	2,485,724	—
Gross profit from operations		3,508,079	517,128	1,016,928	2,738,473	812,617	—
Operating income		2,641,655	(77,329)	404,454	2,090,047	219,556	—
Non-operating income and expenses		(115,760)	819,073	(194,424)	(29,846)	13,513	—
Income from continuing operations before income tax		2,525,895	741,744	210,030	2,060,201	233,069	—
Net income of continuing business units		2,186,147	655,920	117,248	1,671,830	156,636	—
Income of suspended business unit		0	0	0	0	0	—
Net income		2,186,147	655,920	117,248	1,671,830	156,636	—
Other comprehensive profits and losses (Net value after tax)		32,265	15,535	49,668	5,258	(25,152)	—
Total comprehensive income		2,218,412	671,455	166,916	1,677,088	131,484	—
Net income attributable to stockholders of the parent		2,186,464	655,920	117,248	1,671,830	156,636	—
Net profit attributable to the previous equity's net profit under joint control		(317)	0	0	0	0	—
Net income attributable to non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	—
Total comprehensive income attributable to stockholders of the parent		2,218,729	671,455	166,916	1,677,088	131,484	—
Total comprehensive income attributable to the previous equity's net profit under joint control		(317)	0	0	0	0	—
Total comprehensive income attributable to non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	—
Earnings per share(NT\$)		8.11	1.77	0.30	4.26	0.35	—

Note 1: The information above was certified by accountants.

Note 2: the 2023 Q1 financial statements have not been reviewed by the CPAs and thus not to be disclosed.

4. Condensed statements of comprehensive income - parent company-only financial statements

Unit: NT\$ thousand

Item	Year	Financial analysis in the five most recent years (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		12,576,070	1,684,425	3,944,597	9,653,691	2,369,080
Gross profit from operations		3,443,422	384,494	835,974	2,641,258	804,836
Operating income		2,610,382	(139,747)	308,835	2,073,849	293,292
Non-operating income and expenses		(94,846)	863,333	(134,164)	(33,749)	(87,574)
Income from continuing operations before income tax		2,515,536	723,586	174,671	2,040,100	205,718
Net income of continuing business units		2,186,147	655,920	117,248	1,671,830	156,636
Income of suspended business unit		0	0	0	0	0
Net income		2,186,147	655,920	117,248	1,671,830	156,636
Other comprehensive profits and losses (Net value after tax)		32,265	15,535	49,668	5,258	(25,152)
Total comprehensive income		2,218,412	671,455	166,916	1,677,088	131,484
Net income attributable to stockholders of the parent		2,186,464	655,920	117,248	1,671,830	156,636
Net profit attributable to the previous equity's net profit under joint control		(317)	0	0	0	0
Net income attributable to non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Total comprehensive income attributable to stockholders of the parent		2,218,729	671,455	166,916	1,677,088	131,484
Total comprehensive income attributable to the previous equity's net profit under joint control		(317)	0	0	0	0
Total comprehensive income attributable to non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Earnings per share(NT\$)		8.11	1.77	0.30	4.26	0.35

Note 1: The information above was certified by accountants.

(II) Auditing CPAs and audit opinions in the past five years

Year	Name of the firm	CPA name	Opinion
2022	KPMG Taiwan	Han Yi-Lien and Tseng Kuo-Yang	Unqualified opinion
2021	KPMG Taiwan	Han Yi-Lien and Chien Ti-Nuan	Unqualified opinion
2020	KPMG Taiwan	Han Yi-Lien and Chien Ti-Nuan	Unqualified opinion
2019	KPMG Taiwan	Chien Ti-Nuan and Tseng Kuo-Yang	Unqualified opinion
2018	KPMG Taiwan	Chien Ti-Nuan and Tseng Kuo-Yang	Paragraph with unqualified opinion and emphasis and paragraph with other matters

2. Financial Analysis in the Past Five Years

(I) Financial analysis - consolidated financial statements

Item		Year	Financial analysis in the five most recent years (Note 1)					Current year as of Mar. 31, 2023 (Note 2)
			2018	2019	2020	2021	2022	
Financial structure (%)	Debt to asset ratio		67.37	81.06	86.21	83.02	87.66	—
	Long term capital to property, plant and equipment ratio		624.02	1,012.66	5,441.87	6,304.59	7,000.23	—
Solvency	Current ratio (%)		192.04	189.70	139.74	145.80	134.88	—
	Quick ratio (%)		61.5	42.46	33.17	32.88	23.88	—
	Interest coverage ratio (times)		9.76	3.19	1.48	5.59	1.37	—
Management capacity	Receivable turnover rate (times)		14.51	6.80	11.91	19.91	2.56	—
	Average cash recovery day		25.15	53.67	30.64	18.33	142.57	—
	Inventory turnover rate (times)		0.68	0.22	0.30	0.29	0.05	—
	Payable turnover rate (times)		8.86	2.65	3.47	3.31	0.70	—
	Days sales outstanding		536.76	1,659.09	1,216.66	1,258.62	7,300.00	—
	Property, plant and equipment turnover rate (times)		6.96	2.35	8.29	43.56	10.59	—
	Total asset turnover rate (times)		0.56	0.16	0.23	0.27	0.05	—
Profitability	Return on Assets (%)		9.89	3.59	1.40	5.33	1.47	—
	Return on Equity (%)		35.03	10.22	2.21	28.46	2.46	—
	Pre-tax net profit to paid-in capital ratio (%)		81.92	24.05	5.67	52.52	5.16	—
	Net profit margin (%)		15.79	15.62	1.53	15.95	6.30	—
	Earnings per share(NT\$)		8.11	1.77	0.30	4.26	0.35	—
Cash Flow	Cash flow ratio (%)		69.4	(Note 3)	(Note 3)	(Note 3)	(Note 3)	—
	Cash flow adequacy ratio (%)		65.54	(Note 3)	(Note 3)	(Note 3)	(Note 3)	—
	Cash reinvestment ratio (%)		52.15	(Note 3)	(Note 3)	(Note 3)	(Note 3)	—
Leverage	Operating leverage		1.10	(2.12)	1.67	1.15	2.61	—
	Financial leverage		1.08	0.31	1.56	1.06	3.64	—

Please explain the reasons of the financial ratio changes in the past two years. (Analysis may be omitted if the changes did not reach 20%)

1. The quick ratio declined by 27% because of the increase in the short-term loans in 2022.
2. Interest coverage ratio decreased by 75%, because the 2022 net income before tax decreased.
3. Receivable turnover rate dropped by 87%, because the operating revenue declined in 2022.
4. Average cash recovery day increased by 678%, because the receivable turnover rate dropped in 2022.
5. Inventory turnover rate declined by 83%, because the operating costs dropped in 2022.
6. Payable turnover rate dropped by 79%, because the operating costs dropped in 2022.
7. Sales outstanding days increased by 480%, because the inventory turnover rate dropped in 2022.
8. Property, plant and equipment turnover rate dropped by 76%, because the operating revenue declined in 2022.
9. Total asset turnover ratio declined by 81%, because the operating revenue decreased in 2022.
10. Return on assets declined by 72%, because the 2022 net profit after tax declined.
11. Total return on equity decreased by 91%, because the net profit after tax declined in 2022.
12. The ratio of net profit before tax to paid-in capital declined by 90% due to the decrease in net profit before tax in 2022, the ratio of net profit before tax to paid-in capital declined.
13. Net profit margin decreased by 61%, because the net profit after tax declined in 2022.
14. Earnings per share decreased by 92% due to a decrease in 2022 net profit after tax.
15. Operating leverage increased by 127% due to the declined in operating revenue in 2022 and the increased in the proportion of fixed cost.
16. Financial leverage increased by 243% because the 2022 operating profit decreased.

Note 1: The information above was certified by accountants.

Note 2: The 2023 Q1 financial statements have not been reviewed by the CPAs and thus not to be disclosed.

Note 3: The ratio in the cash flows is not calculated when the net cash flows from the operating activities are negative.

Note 4: Formulae for financial analysis calculation are as follows:

1. Financial structure

(1) Debt to asset ratio = total liabilities / total assets

(2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities

(3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period

3. Operating capacity

(1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)

(2) Average cash recovery date = 365 / receivables turnover rate

(3) Inventory turnover rate = sales cost / average inventory

(4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)

(5) Days sales outstanding = 365 / inventory turnover rate

(6) Property, plant and equipment turnover rate = net sales/net average property, plant and equipment value

(7) Total asset turnover rate = net sales / average total assets

4. Profitability

(1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets

(2) Return on equity = after tax profit and loss / average equity

(3) Net profit rate = after tax profit and loss / net sales

(4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted

average number of issued shares (Note 6)

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital) (Note 7)

6. Leverage

- (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit (Note 8)
- (2) Financial leverage = operating profit / (operating profit - interest expense)

Note 5: The above calculation formula for earnings per share should pay careful attention to the following points:

1. Based on weighted average number of ordinary shares, but not the number of shares issued as of the end of the year.
2. Every capital increase or treasury stock transaction should consider calculating the weighted average number of shares during the circulation period.
3. The capital injection from the surplus or the capital reserve to increase its capital should retroactive adjustment calculate its earnings per share in the past year or the past six months in proportion of capital increase; no need to consider the period of capital increase.
4. If the preferred shares are non-convertible cumulative preferred stock, the dividends of the year, whether they're issued or not, should be deducted from the net profit after tax, or be added to the net loss after tax. If the preferred shares are non-cumulative and have net profit after tax, the dividends should be deducted from the net profit after tax; no need for adjustment if they have loss.

Note 6: When calculating the cash flow analysis careful attention should be paid to the following items:

1. Net cash flow from operating activities means the net income in the net cash flow table.
2. Capital expenditure means investment spending per year.
3. Inventory would only be counted when the closing balance of prepaid rent is bigger than the beginning one. If the inventory in the end of the year has decreased, it should be shown as zero.
4. Cash dividend includes common stock and preferred shares.
5. Gross property, plant and equipment is the total amount of net of property, plant and equipment accumulated depreciation

Note 7: Issuers should differentiate every fixed and variable operating cost and operating expense by their natures. If estimation or subjective judgement is involved, be aware of its rationality and consistency.

Note 8: The Company's shares without par value or a par value other than NT\$10 are calculated based on interests ratio attributable to the owner of the parent company in the balance sheet, instead of pre-tax net profit to paid-in capital ratio.

(II) Financial analysis - parent company-only financial statements

Item		Year	Financial analysis in the five most recent years (Note 1)				
			2018	2019	2020	2021	2022
Financial structure (%)	Debt to asset ratio		66.33	80.35	85.81	82.31	87.24
	Long term capital to property, plant and equipment ratio		624.14	1,014.1	5,513.41	6,375.10	7,064.61
Solvency	Current ratio (%)		193.11	192.66	139.16	146.89	134.87
	Quick ratio (%)		53.14	32.87	29.01	28.47	20.29
	Interest coverage ratio (times)		9.76	3.14	1.40	5.55	1.33
Management capacity	Receivable turnover rate (times)		15.36	10.75	24.22	33.82	2.76
	Average cash recovery day		23.76	33.95	15.07	10.79	132.24
	Inventory turnover rate (times)		0.6	0.08	0.14	0.27	0.05
	Payable turnover rate (times)		10.91	1.81	2.92	5.63	1.35
	Days sales outstanding		608.33	4,562.5	2,607.14	1,351.85	7,300.00
	Property, plant and equipment turnover rate (times)		6.32	0.94	4.28	40.62	10.19
	Total asset turnover rate (times)		0.52	0.06	0.12	0.26	0.05
Profitability	Return on Assets (%)		10.09	3.72	1.44	5.52	1.52
	Return on Equity (%)		35.03	10.22	2.21	28.46	2.46
	Pre-tax net profit to paid-in capital ratio (%)		81.58	23.46	4.72	52.01	4.56
	Net profit margin (%)		17.38	38.94	2.97	17.31	6.61
	Earnings per share(NT\$)		8.11	1.77	0.30	4.26	0.35
Cash Flow	Cash flow ratio (%)		69.42	(Note 2)	(Note 2)	0.45	(Note 2)
	Cash flow adequacy ratio (%)		61.85	(Note 2)	(Note 2)	28.45	(Note 2)
	Cash reinvestment ratio (%)		48.07	(Note 2)	(Note 2)	0.25	(Note 2)
Leverage	Operating leverage		1.09	(0.22)	1.60	1.11	1.93
	Financial leverage		1.09	0.45	1.89	1.06	2.14

Please explain the reasons of the financial ratio changes in the past two years. (Analysis may be omitted if the changes did not reach 20%)

1. The quick ratio declined by 29% because of the increase in the short-term loans in 2022.
2. Interest coverage ratio decreased by 76%, because the 2022 net income before tax decreased.
3. Receivable turnover rate dropped by 92%, because the operating revenue declined in 2022.
4. Average cash recovery day increased by 1126%, because the receivable turnover rate dropped in 2022.
5. Inventory turnover rate declined by 81%, because the operating costs dropped in 2022.
6. Payable turnover rate dropped by 76%, because the operating costs dropped in 2022.
7. Sales outstanding days increased by 440%, because the inventory turnover rate dropped in 2022.
8. Property, plant and equipment turnover rate dropped by 75%, because the operating revenue declined in 2022.
9. Total asset turnover ratio declined by 81%, because the operating revenue decreased in 2022.
10. Return on assets declined by 72%, because the 2022 net profit after tax declined.
11. Total return on equity decreased by 91%, because the net profit after tax declined in 2022.
12. The ratio of net profit before tax to paid-in capital declined by 91% due to the decrease in net profit before tax in 2022, the ratio of net profit before tax to paid-in capital declined.
13. Net return on equity decreased by 62%, because the net profit after tax declined in 2022.
14. Earnings per share decreased by 92% due to a decrease in 2022 net profit after tax.
15. Operating leverage increased by 74% due to the declined in operating revenue in 2022 and the increased in the proportion of fixed cost.
16. Financial leverage increased by 102% because the 2022 operating profit decreased.

Note 1: The information above was certified by accountants.

Note 2: The ratio in the cash flows is not calculated when the net cash flows from the operating activities are negative.

Note 3: Formulae for financial analysis calculation are as follows:

1. Financial structure

(1) Debt to asset ratio = total liabilities / total assets

(2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities

(3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period

3. Operating capacity

(1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)

(2) Average cash recovery date = 365 / receivables turnover rate

(3) Inventory turnover rate = sales cost / average inventory

(4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)

(5) Days sales outstanding = 365 / inventory turnover rate

(6) Property, plant and equipment turnover rate = net sales/net average property, plant and equipment value

(7) Total asset turnover rate = net sales / average total assets

4. Profitability

(1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets

(2) Return on equity = after tax profit and loss / average equity

(3) Net profit rate = after tax profit and loss / net sales

(4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital

expenditure + inventory increase + cash dividend) in the last five years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital) (Note 5)

6. Leverage

(1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit (Note 6)

(2) Financial leverage = operating profit / (operating profit - interest expense)

Note 4: Calculation formula for earnings per share above should pay careful attention to followed points:

1. Based on weighted average number of ordinary shares, but not the number of shares issued as of the end of the year.
2. Every capital increase or treasury stock transaction should consider calculating the weighted average number of shares during the circulation period.
3. The capital injection from the surplus or the capital reserve to increase its capital should retroactive adjustment calculate its earnings per share in the past year or the past six months in proportion of capital increase; no need to consider the period of capital increase.
4. If the preferred shares are non-convertible cumulative preferred stock, the dividends of the year, whether they're issued or not, should be deducted from the net profit after tax, or be added to the net loss after tax. If the preferred shares are non-cumulative and have net profit after tax, the dividends should be deducted from the net profit after tax; no need for adjustment if they have loss.

Note 5: Paying careful attention to the cash flow analysis as followed points:

1. Net cash flow from operating activities means the net income in the net cash flow table.
2. Capital expenditure means investment spending per year.
3. Inventory would only be counted when the closing balance of prepaid rent is bigger than the beginning one. If the inventory in the end of the year has decreased, it should be shown as zero.
4. Cash dividend includes common stock and preferred shares.
5. Gross property, plant and equipment is the total amount of net of property, plant and equipment accumulated depreciation

Note 6: Issuer should differentiate every fixed and variable operating cost and operating expense by their natures. If estimation or subjective judgement is involved, be aware of its rationality and consistency.

Note 7: The Company's shares without par value or a par value other than NT\$10 are calculated based on interests ratio attributable to the owner of the parent company in the balance sheet, instead of pre-tax net profit to paid-in capital ratio.

3. Audit Committee's review report on the latest financial report

RUN LONG CONSTRUCTION CO., LTD.
Audit Committee's Review Report



The Board of Directors has submitted the Company's 2022 business report, financial statements (including consolidated financial statements) and the proposal for earnings distribution; among these, the financial statements (including consolidated financial statements) have been audited by Yi-lien Han and Kuo-Yang Tseng of KPMG and the audit report has been issued. The said business report, financial statements and the proposal for earnings distribution have been audited by the Audit Committee, with no discrepancy found. We have presented you the reports based on the provisions stipulated in Article 14-4 in the Securities and Exchange Act and Article 219 in the Company Act.

To:

2023 Annual General Meeting of Run Long construction Co., Ltd.

Audit Committee Convener: Li Wen-Cheng



March 10, 2023

4. For the financial statements of the most recent year, CPAs' Audit Report, balance sheet including two-year comparison, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes and attached tables: Please refer to Pages 195 to 255.
5. Parent company-only financial statements audited by CPAs of the most recent year. However, the detailed tables of the key accounting items are excluded: Please refer to Pages 256 to 315.
6. If the Company and its affiliates have experienced financial difficulties in the most recent fiscal year and up to the date of publication of the annual report, the annual report shall explain how said difficulties affect the Company's financial situation: None.

VII. Review and Analysis of Financial Status and Business Results and Risk Issues

1. Financial Status

Unit: NT\$ thousand

Item \ Year	2021	2022	Differences	
			Amount	%
Current assets	35,529,894	43,930,387	8,400,493	23.64
Property, plant and equipment	237,243	232,087	(5,156)	(2.17)
Intangible assets	14,380	16,218	1,838	12.78
Other assets	3,543,494	4,636,079	1,092,585	30.83
Total assets	39,325,011	48,814,771	9,489,760	24.13
Current liabilities	24,367,806	32,568,146	8,200,340	33.65
Non-current liabilities	8,282,194	10,223,298	1,941,104	23.44
Non-current liabilities	32,650,000	42,791,444	10,141,444	31.06
Interests attributable to parent company owner	6,675,011	6,023,327	(651,684)	(9.76)
Share Capital	3,921,966	4,510,261	588,295	15.00
Capital surplus	21,376	22,601	1,225	5.73
Retained earnings	2,575,943	1,359,891	(1,216,052)	(47.21)
Other interests	155,726	130,574	(25,152)	(16.15)
Treasury stock	0	0	0	0
Previous equity under joint control	0	0	0	0
Non controlling interests	0	0	0	0
Total equity	6,675,011	6,023,327	(651,684)	(9.76)
<p>(I) Main reasons for significant changes in assets, liabilities and equity in the two most recent years and their impacts:</p> <ol style="list-style-type: none"> 1. Current assets: Incurred by the inventory increase at the end of 2022 resulting from shortage of workers and materials which affected the progress of completion. 2. Other assets: Incurred by the increase in restricted deposits arising from the issuance of corporate bonds. 3. Assets: Incurred by the increase in inventories and restricted deposits at the end of 2022. 4. Current liabilities: Incurred by the increase in short-term loans and contractual liabilities. 5. Non-current liabilities: Incurred by the issuance of corporate bonds in 2022. 6. Liabilities: Incurred by the increase in short-term loans and contractual liabilities. 7. Retained earnings: Incurred by dividend distribution and relatively low net profit in 2022. <p>(II) Future responding plans shall be specified if the impacts are material: The aforesaid changes do not impact the Company's finance materially.</p>				

2. Financial Performance

(I) Comparative analysis table of financial performance

Unit: NT\$ thousand

Item	Year	2021	2022	Differences	
				Amount	%
Operating revenue		10,479,267	2,485,724	(7,993,543)	(76.28)
Gross profit from operations		2,738,473	812,617	(1,925,856)	(70.33)
Operating income		2,090,047	219,556	(1,870,491)	(89.50)
Non-operating income and expenses		(29,846)	13,513	43,359	(145.28)
Income from continuing operations before income tax		2,060,201	233,069	(1,827,132)	(88.69)
Continuing operations Net income		1,671,830	156,636	(1,515,194)	(90.63)
Income of suspended business unit		0	0	0	0
Net income		1,671,830	156,636	(1,515,194)	(90.63)
Other comprehensive profits and losses (Net losses after tax)		5,258	(25,152)	(30,410)	(578.36)
Total comprehensive income		1,677,088	131,484	(1,545,604)	(92.16)
Net profit attributable to parent company owner		1,671,830	156,636	(1,515,194)	(90.63)
Net profit attributable to Previous equity under joint control		0	0	0	0
Net income attributable to non-controlling Equity		Not applicable.	Not applicable.	Not applicable.	Not applicable.
Total comprehensive income attributable to owners of the parent company		1,677,088	131,484	(1,545,604)	(92.16)
Total comprehensive income attributable to Previous equity under joint control		0	0	0	0
Total comprehensive income attributable to non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.
EPS (NT\$)		4.26	0.35	(3.91)	(91.78)
<p>Main reasons for any material changes in operating revenues, operating income, or income before tax in the two most recent fiscal years:</p> <ol style="list-style-type: none"> 1. Operating revenue: The operating revenue drastically declined mainly because of COVID-19, shortage of workers and materials as well as construction delay. 2. Operating gross profit: Please refer to (2) analysis of changes in operating gross profit. 3. Operating income (loss): Mainly because the construction revenue decreased significantly in 2022 with decrease profit. 4. Non-operating income and expenses: Mainly incurred by increase in dividend income and recognition of income from disposal of real estate for investment in 2022. 5. Net profit before tax: Mainly because the construction revenue decreased significantly in 2022 with decrease profit. 6. Net profit of current period: Mainly because the construction revenue decreased significantly in 2022 with decrease profit. 7. Other comprehensive profits and losses for the current period: Due to the unrealized appraisal losses of equity instrument investments measured at fair value through other comprehensive gains and losses recognized in 2022. 8. Earnings per share: Mainly from drastic decrease of the construction revenue in 2022 with decrease profit. 					

(II) Analysis of changes in operating gross profit

(Expressed in Thousands of New Taiwan Dollar)

Item	Before and after increase decrease change amount	Reason for difference
Operating gross profit	(1,925,826)	The operating revenue decreased, so the gross profit decreased relatively.

(III) Sales forecast and the basis, and possible impact on the Company's future financial status and the contingency plan

1. Construction business

In recent years, Run Long has been actively launching cases in major cities in northern, central, and southern Taiwan. In 2022, we launched the "Dream City" in Keelung and the "Jing'an Wenhui" in New Taipei City and the "VVS1" in Taichung, which all witnessed excellent performance. And actively sell "Taichung Dibao" in Taichung...etc remaining unsold units.

In 2023, we will strive to sales our remaining houses while focusing on apartments for first-time home buyers and those who wish to replace their homes. At present, the projects we are planning and expecting to launch are mainly located in De'an EF (Keelung), Wanfang in Wenshan (Taipei), Shanjie in Guishan (Taoyuan), and Run Long Park Hyatt (Tainan) ect.

In 2023, The projects expected to be completed include "Dream City" in Keelung, "National Central City" in Taoyuan, "Juke Run Long" in Hsinchu, and "Shuhoyuan" in KaoHsiung. The projects under construction include "Jing'an Wenhui" in New Taipei City, "Shicheng Aiyue" and "VVS1" in Taichung... etc. In addition, the company will continue to purchase construction land for future project planning and use, which will help future operating income and cash inflow.

2. Construction/engineering business of the subsidiary, Jhin Jyun Construction

Jhin Jyun Construction mainly contracts development projects from affiliates, and secures the construction quality, progress, and safety through standardized construction management, to establish the Group's reputation of high quality.

The factors which caused soaring of construction costs in 2022, including shortage of workers and price increase in building materials (reinforcement bars and cement) have been slightly relieved in 2023. Despite various factors affecting engineering construction, the market situation in 2023 has been somewhat improved compared with 2022. According to this year's project schedules of Chin Chun Construction, the operating revenues in 2023 are expected to outperform those in 2022.

3. Cash flow

(I) Cash flow analysis in the most recent year

Item \ Year	2021	2022	% of increase (decrease)
Cash flow ratio	-	-	-
Cash flow adequacy ratio	-	-	-
Cash reinvestment ratio	-	-	-
Reasons for increase/decrease proportion analysis: The net cash flow in 2021 and 2022 were negative, and thus were not calculated.			

(II) Analysis of cash flow in the coming year

Unit: NT\$ thousand

Beginning cash balance (A)	Net cash flow from operating activities throughout the year (B)	Estimated yearly net cash outflow (C)	Anticipated cash surplus (deficit) amount A+B-C	Remedies for cash deficits	
				Investment plan	Financial plans
2,252,570	12,960,387	13,291,708	1,921,249	—	—

1. Analysis of cash flow changes for the year:

Mainly increases in cash outflow from the construction payment input to construction projects and the repaying of financing loans of lands and construction upon project completion expected in the next year.

2. Remedies for illiquidity: There will be no shortage or deficit of cash in the next year.

4. Impact of major capital expenditure on the financial status in the most recent year

(I) Utilization of major capital expenditures and source of funds: None.

(II) Expected effects: None.

5. Reinvestments in the most recent year

(I) Re-investment policy in the most recent year, the main reason for its profit or loss, the improvement plan and investment plan in the next year:

Unit: NT\$ thousand

Investor	Investee	Investment gains/losses recognized in 2021	Re-investment policy	Main reason of profit or loss	Improvement plans
The Company	Jin Jyun Construction	(49,802)	The Company's reinvestment policy currently focuses on the upstream and downstream construction related industries, seeking to increase reinvestment income	The gross profit margin of the invested company is stable, and there is no loss in 2022.	Focus on the steady operation of existing businesses and actively strive for new projects

(II) Investment plan in the next year: Based on future operational needs, prudently evaluate relevant industries with stable profitability as investment targets.

6. Risks in the most recent fiscal year and up to the date of publication of the annual report

(I) The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future countermeasures

1. The short-term and long-term borrowings of the Company and its subsidiaries are debts with floating interest rates. Therefore, changes in market interest rates will cause the effective interest rates of short-term and long-term borrowings to change accordingly, which will cause future cash flow fluctuations; When the interest rate increases or decreases by 0.5% with all other variables remaining unchanged, the interest expenses of the consolidated company in the year of 2022 and 2021 will increase by NT\$114,738 thousand and NT\$72,137 thousand, taking into account the net profit after interest capitalization, it will decrease or increase by NT\$29,603 thousand and NT\$21,011 thousand.
2. The main operating income and expenditures and capital expenditures of the Company and its subsidiaries are mostly denominated in New Taiwan dollar, so exchange rate changes have no significant impact on the Company's profit and loss.
3. The Company and its subsidiaries continue to monitor changes in prices and raw material prices, maintain good interaction with customers and suppliers, and adopt appropriate procurement strategies to reduce inflation risks.

(II) Policies of engagement in high-risk and highly leveraged investments, loans to others, endorsements and guarantees and derivative trading, main reasons for profit or loss and future countermeasures

The Company and its subsidiaries focus on their major businesses and have not conducted high-risk and highly leveraged investments in the most recent year.

The Company and its subsidiaries provides necessary endorsements and guarantees to subsidiaries/parent company when required by the business.

The Company and its subsidiaries do not conduct derivative trading.

The Company has the “Operational Procedures for Loaning of Funds to Others”, the “Operational Procedures for Endorsement and Guarantee”, and the “Handling Procedures of Acquiring or Disposing Assets” for compliance. The subsidiaries are supervised and required to establish related operational procedures and observe such procedures.

(III) Future R&D projects and estimated R&D expenses: None.

(IV) The impact of important domestic and overseas policy and regulation changes on the financial status of the Company and countermeasures

1. The following newly released, amended and revised standards and interpretations have been recognized by the Financial Supervisory Commission, and start to be applicable from 2023:

- “Disclosure of accounting policies” under No.1 Amendment to the International Accounting Standards
- “Disclosure of accounting estimates” under No.8 Amendment to the International Accounting Standards
- “Deferred income taxes related to assets and liabilities incurred by single transactions” under No.12 Amendment to the International Accounting Standards

The consolidated company has assessed that the application of the aforesaid amendments will not create material changes in the consolidated financial statements.

2. To strictly combat against constructors’ land maintenance by fertilizer application, the Central Bank convened a meeting for “enhancing controls over banks’ loan risks for land acquisition”, promoted banks’ formulation of their internal rules, and included four major items in their internal facility rules as keys for their internal audit and independent verification. These were also listed by the Financial Supervisory Commission as keys for bank inspections. The most devastating clause was that the borrowers were expressly required to estimate their actual time necessary for construction commencement, which should not exceed 18 months.

On February 8, 2023, the National Development and Reform Commission announced related explanations for loosening the restriction. It declared that if the commencement schedule was affected by “factors not attributable to the borrowers” like shortage of workers resulting from epidemic or other macroscopic environmental factors, the time for construction commencement would not be limited to be 18 months. In addition, the time limit of 18 months for construction commencement would not apply either, in case that it took the public authorities relatively long time to perform the review owing to different characteristics of construction projects (for instance, the construction projects were over large, or soil improvement or environmental impact assessment could not be completed as scheduled, or after land financing, the original landlords’ properties above the ground could not be timely removed that construction commencement was impacted, or changes occurred to essentials of

construction laws or regulations).

(V) The impact of technological and industrial changes on the financial status of the Company and countermeasures:

1. Effect of damage to information systems upon the company's business affairs, as well as response measures being or to be taken:

The Company's information system is under construction. In the hardware area servers with high stability have been set up and in the software area the information systems, software and default system parameters are regularly backed up and there is a complete data back-up mechanism to ensure service downtime is shortened.

With uninterrupted information services and information safety, the information unit under the management department regularly sends back-up data for storage in other places and there are regular drills for post-disaster recovery measures, to prevent the interruption of information services and shorten the recovery time from natural disasters or human accidents.

In order to get the information system smoothly back on track and reduce losses after the damage has occurred, in addition to regular drills for post-disaster recovery measures, the Company shall continue to plan, design, and improve the resource efficiency of software and hardware equipment, and to construct a network protection mechanism with a high-security level to reduce the risks of system damage.

In recent information security threat analysis, most of the threats come from external hacker attacks, followed by the negligence of internal employees and lack of information security awareness. The root cause of these information security incidents is that users open and click on phishing emails and execute them Caused by unknown malware. Therefore, information security protection requires the company's comprehensive consensus and full participation, only by gradually developing employees' risk awareness and information security protection capabilities through working habits and company culture, can the information security defense capabilities truly be strengthened.

2. In 2022, the Company has not discovered any major internet attacks and events, negative influences that have harmed or may harm the Company's business and operation, and not been involved in any law cases or monitoring investigation.

(VI) The impact of corporate image changes on the Company's crisis management and countermeasures

The Company and its subsidiaries insist on the operating principles of steadiness, pragmatism, innovation and evolution, and have a good corporate image. So many outstanding talents are attracted to serve the Company and build the strength of the management team. The Company also regularly provides feedback on the operating results to investors. There is nothing jeopardizing the corporate image, nor are there risks of corporate crises.

(VII) Expected benefits and possible risks of mergers and acquisitions and countermeasures

The Company and its subsidiaries have not had mergers and acquisitions during the most recent year and up to the date of publication of the annual report.

(VIII) Expected benefits and possible risks of plant expansion, and countermeasures

The Company and its subsidiaries have not had plant expansions during the most recent year and up to the date of publication of the annual report.

(IX) The impact of concentration of purchases or sales and countermeasures

1. Construction business

Real estate sales business is for general customers, so there is no concentration of sales. The purchases are mainly the amounts of purchases from outsourcing to well-known level A construction companies, and the number of purchase transactions is small with significant payable amounts, so there will likely not be a concentration of purchases.

2. Construction/engineering business of the subsidiary Jin Jyun Construction:

The major businesses are project contracting, and there is no concentration of purchases (material purchases and construction contractors) and sales (customers of contracted projects).

(X) The impact of mass share transfers or changes of directors, supervisors or shareholders holding more than 10% of the Company's shares, the risks and countermeasures

During the most recent year and up to the date of publication of the annual report, there were no mass share transfers or changes of directors or shareholders holding more than 10% of the Company's shares.

(XI) The impact of changes of management on the Company, the risks and countermeasures

During the most recent year and up to the date of publication of the annual report, there were no changes of management in the Company or its subsidiaries.

(XII) Lawsuits and non-contentious cases

1. Material litigation, non-litigation or administrative litigation with its judgment already made or pending in the most recent year and up to the date of the publication of the annual report, the result of which may have a significant impact on the shareholders' equity or the price of the Company's shares: None.

2. Material litigation, non-litigation or administrative litigation with its judgment already made or pending in the most recent years and up to the date of the publication of the annual report related to the Company's directors, supervisors, president, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates, the result of which may have a significant impact on the shareholders' equity or the price of the Company's shares:

With respect to the allegation made by the buyers of Kuobin Da Yuan against Tsai,

Chung-Ping, the Chairperson of the Company, Taiwan Taipei District Prosecutors Office punished Tsai, Chung-Ping and other persons without suing on December 21, 2016. After the Petitioner applied for reconsideration and Taiwan High Prosecutors Office revoked the punishment without suing, the prosecutors filed public prosecution against Tsai, Chung-Ping for his general crimes of fraud on January 5, 2023. Now, this case has been transferred to the Taipei District Court for hearing, and according to the Company's evaluation, the aforementioned event has not imposed material impacts upon financial businesses.

(XIII) Other important risks and countermeasures

1. Effect of the climate change upon the Company's business affairs and the response measures being or to be taken:

environment of manufacturing building materials and promote the upgrade of the

- (1) The Board of Directors and the management supervise and govern climate related risks and opportunities:

The Board of Directors will include the risks of climate changes in risk management policies and cultures. It will establish a risk management mechanism, define risk tolerance based on identified climate related risks, and constantly monitor climate related topics and corresponding objectives to ensure effectiveness of risk management. In addition, the Board of Directors will be finally responsible for managing overall risks of the Company.

- (2) How the identified climate risks and opportunities impact corporate business, strategies and financial affairs (short, medium and long term):

The departments identify the short, medium and long-term risks and opportunities brought by climate changes to the Company and how they impact businesses, strategies and financial affairs of the Company. Meanwhile, they further evaluate the impacts of climate changes upon the Company's business operations and pertinent countermeasures. They prioritize climate related risks based on material standards, and formulate annual business objectives and strategies.

Review and execute existing business strategies and future plans by identifying and evaluating climate risks, including:

- ① Developing green and energy-saving buildings.
- ② Introducing digital technologies into projects.
- ③ Maintaining sustainable operations.
- ④ Maintaining low-carbon office environment.

- (3) Impacts of extreme climate events and transition actions upon financial affairs:

Constantly develop policy actions related to climate changes. The policy objectives

are divided into two categories as follows: Restrict any adverse impacts which might facilitate climate changes, and promote adjustment of climate changes. Implementation of policies, laws and regulations might increase operating costs of the Company. For instance, carbon pricing mechanism may be implemented to reduce greenhouse gas emissions, assure indoor air quality, increase standards for electricity saving and improve efficiency of water utilization, etc.

Except that climate anomalies increase power consumption and in summer, peak power consumption results in power outage, catastrophic extreme climates such as hurricane and heavy rain have become increasingly more serious. These would possibly suspend operations of construction sites, offices, computer rooms and other facilities. Accordingly, asset impairment would be caused.

- (4) How to integrate the procedures for identifying, evaluating and managing climate risks into the overall risk management system:

Opportunities and risks brought by ESG and climate change to the company's operations will be properly planned by the company's management department, and the board of directors will provide more solid guidance and supervision. The management department will analyze the impact of climate risks, formulate response strategies, goals, and schedules, and implement them in order to comply with trends, regulations, and customer requirements, thereby enhancing the company's competitiveness.

- (5) Introduce the transition plan for managing climate related risks, indexes and objectives for identifying and managing physical and transition risks:

① The Company shall actively take measures in response to the issue of climate change and put in effort into developing green building techniques to improve the level of green buildings, in the hope of building up an energy saving and carbon emission reducing housing environment. Planning construction cases with energy saving and carbon emission reducing products, such as building materials, energy saving machinery, housing facilities and new energy systems applied in green buildings. To implement government policy, the Company goes to great lengths in environmental protection to put corporate social responsibility into practice.

② Perform annual statistical analysis of water resources and greenhouse gas emissions, including the scope (I, II).

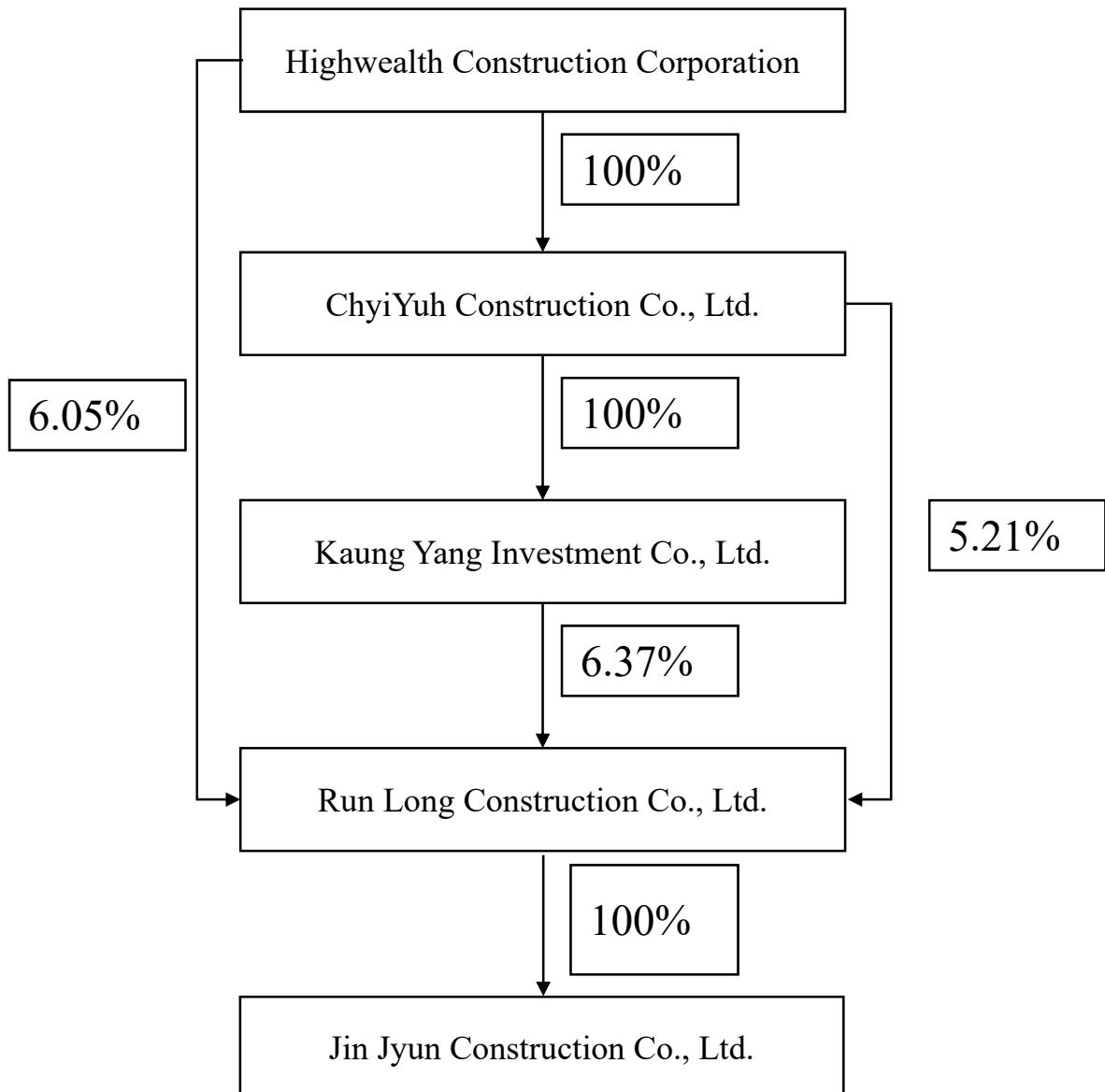
③ Reduce greenhouse gas emissions by 1% to 2%.

7. Other important matters: None

VIII. Special Notes

1. Information about the Company's Affiliates

(I) Organization Chart of Affiliates



(II) Consolidated business reports of affiliated enterprises

1. Basic data of affiliates

Unit: NT\$ thousand

Company Name	Date of establishment	Address	Paid-in capital	Major business
<u>Control Company</u> Run Long Construction Co., Ltd.	1977.01.10	8F., No. 267, Lequn 2nd Rd, Zhongshan District, Taipei City	4,510,261	Development, sales and leasing of real estate
<u>Subsidiary</u> Jin Jyun Construction Co., Ltd.	2012.11.01	9F., No. 267, Lequn 2nd Rd, Zhongshan District, Taipei City	700,000	Construction, housing and building development, lease, sale business.

2. Information about common shareholders of entities presumed to have a controlling and subordinate relationship: None.

3. All affiliated companies' operating business cover industries such as:

①Construction industry

②Part of the construction work of Run Long Construction Co., Ltd. is contracted to Jin Jyun Construction Co., Ltd.

4. Information about the directors, supervisors and general managers of the affiliates:

Company Name	Title	Name or Representative	Number of shares held	
			Share Number	Shareholding ratio
<u>Control Company</u>				
Run Long Construction Co., Ltd.	Chairperson	Da-Li Investment Co., Ltd Representative: Tsai Chungping	17,663,965	3.92%
	Director	Kaung Yang Investment Co., Ltd. Representative: Chiu Pingtse	28,759,103	6.37%
	Director	Kaung Yang Investment Co., Ltd. Representative: Chen Kuoyen	28,759,103	6.37%
	Independent Director	Kaung Yang Investment Co., Ltd. Representative: Cheng Chaiowen	28,759,103	6.37%
	Independent Director	Yen Yunchi	0	0%
	Independent Director	Li Wencheng	0	0%
	Independent Director	Chen Yungchang	0	0%
<u>Subsidiary</u>				
Jin Jyun Construction Co., Ltd.	Chairperson	Run Long Construction Co., Ltd. Representative: Chiu Pingtse	70,000,000	100%
	Director	Run Long Construction Co., Ltd. Representative: Lin Chihlung	70,000,000	100%
	Director	Run Long Construction Co., Ltd. Representative: Lu Xiren	70,000,000	100%

5. Overview of the operations of the affiliates:

Unit: NT\$ thousand

Affiliate	Capital	Total assets	Non-current liabilities	Net worth	Operating revenue	Net operating income (loss)	Net income (after tax)	Earnings per share (after tax/NT\$)
<u>Controlling company</u> Run Long Construction Co., Ltd.	4,501,261	47,223,596	41,200,269	6,023,327	2,369,080	293,292	156,636	0.35
<u>Affiliates</u> Jin Jyun Construction Co., Ltd.	700,000	3,175,214	2,291,669	883,545	5,022,926	79,912	103,845	1.85

(III) Consolidated financial statements of affiliates:

The entities the Company is required to include in the consolidated financial statements of affiliates for 2022 (from January 1, 2022, to December 31, 2022) under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements of the parent company prepared in conformity with the International Accounting Standards (IAS) No. 27 approved by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of the parent company. Consequently, the consolidated financial statements of affiliates are not prepared separately.

(IV) Relationship Report

Statement

The Company's 2022 Relation Report (from January 1, 2022, to December 31, 2022) has been prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the disclosed information is materially consistent with the related information disclosed in the notes of financial statements of the abovementioned period.

Very truly yours,

The name of the company:
RUN LONG CONSTRUCTION CO., LTD.



Person in Charge: Tsai, Chung-Ping



March 10, 2023



安侯建業聯合會計師事務所
KPMG

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CPAs' Review Opinion on the Affiliation Report

To: RUN LONG CONSTRUCTION CO., LTD.,

The Affiliation Report for 2022 of Run Long Construction Co., Ltd. has been reviewed by the accountant in accordance with the provisions of Ministry of Finance Securities & Futures Commission Letter No. Taiwan-Finance-Securities-(6)-04448 issued on November 30, 1999. This review work, is based on whether the Affiliation Report for 2022 of Run Long Construction Co., Ltd. is prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and whether the disclosed information is not materially inconsistent with the information disclosed in the notes to the financial statements of the period audited by the accountant on March 10, 2023, with the review opinions issued.

According to the review result of the accountant, no violation has been found in the preparation of the above affiliation report to the provisions of the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and no material discrepancy has been found between the information disclosed in the foregoing affiliation report and the information disclosed in the notes to the financial statements of the same period.

KPMG Taiwan

Certified Public Accountant :

The original Ministry of Finance Securities & Futures Commission Letter No. Certified No. : Financial Supervisory Commission Order No. Financial-Supervisory-Securities-Corporate-1090332798 : No. (88) Taiwan-Finance-Securities-(6)-18311

March 10, 2023

1. Overview of the relationship between the controlling company and subordinate companies

Name of the controlling company	Reason for controlling	Shareholding and share pledging of the controlling company			Director, supervisor, managerial officers appointed by controlling company	
		Shares	Shareholding ratio	Shares pledged	Job Title	Name
Highwealth Construction	100% shares of ChyiYuh Construction Co., Ltd.	388,500,000	100%	-	Representative of Legal Person Director (Chairperson) ChyiYuh Construction Co., Ltd.	Cheng Chunmin
					Representative of Legal Person Director (Director) ChyiYuh Construction Co., Ltd.	Hsiung, Meng-Chi
					Representative of Legal Person Director (Director) ChyiYuh Construction Co., Ltd.	Fan Huajun
ChyiYuh Construction Co., Ltd.	100% shares of Kaung Yang Investment Co., Ltd.	29,900,000	100%	-	Representative of Legal Person Director (Chairperson) Kaung Yang Investment Co., Ltd.	Cheng Chunmin
Kaung Yang Investment Co., Ltd.	Parent company of the Company	28,759,103	6.37%	-	Representative of Legal Person Director (Director) of the Company	Chiu, Ping-Tse
					Representative of Legal Person Director (Director) of the Company	Chen, Kuo-Yen
					Representative of Legal Person Director (Director) of the Company	Cheng Chiao-Wen

2. Purchase (sale) of goods

Unit: NT\$ thousand

Status of transactions with he controlling company				Terms of transactions with he controlling company		General transaction terms		Reason of difference	Notes/accounts receivables (payables)		Overdue accounts receivables			Remarks
Purchase (sale)	Amount	Percentage to the total purchase (sale)	Gross margin	Unit price (NT\$)	Payment Terms	Unit price (NT\$)	Payment Terms		Balance	Percentage to total notes/accounts receivables (payables)	Amount	Actions Taken	Allowance for non-performing loans	
Purchase	174,989	1.80%	—	—	With common equivalent	Equivalent	With common equivalent	—	(55,927)	(2.45)%	—	—	—	—

3. Property transaction: None.

4. Financing: None.

5. Asset leasing:

Unit: NT\$ thousand

Lease counterparty	Transaction Type (Leasing / Leased)	Underlying property		Lease term	Lease type	Basis of rent	Receipt (payment) method	Compared to general rent level	Total rent for the period	Receipt and payment status for the period	Other agreements
		Name	Location								
Kaung Yang Investment Co., Ltd.	Leasing	Building	8F-6, No. 267, Lequn 2nd Rd, Zhongshan District, Taipei City	Jul. 01, 2021, to Jun. 30, 2022	Operating lease	Determined by referring the local market level	Monthly receipt	Equivalent	57	57	None
				Jul. 1, 2022, to Jun. 30, 2023							
Highwealth Construction Corporation	Leased	Building	20F., No. 1507-2, Yucheng Rd., Gushan Dist., Kaohsiung City	Aug. 1, 2021, to Jul. 31, 2022	Operating lease	Determined by referring the local market level	Monthly payment	Equivalent	57	57	None
				Aug. 1, 2022, to Jul. 31, 2023							
Highwealth Construction Corporation	Leased	Land	Land No. 310, Xindu Section, Sanmin District, Kaohsiung City	Jul. 1, 2021, to Jun. 30, 2022	Operating lease	Determined by referring the local market level	Monthly payment	Equivalent	506	506	None
Highwealth Construction Corporation	Leased	Building	Block A, Plot 90, Huiguo Section, Xitun District, Taichung City	Jan. 1, 2022, to Dec. 31, 2022	Operating lease	Determined by referring the local market level	Monthly payment	Equivalent	4,114	4,114	None
ChyiYuh Construction Co., Ltd.	Leased	Building	9F., No. 267, Lequn 2nd Rd, Zhongshan District, Taipei City	Jan. 1, 2022, to Dec. 31, 2022	Operating lease	Determined by referring the local market level	Monthly payment	Equivalent	1,739	1,739	None

6. Other key transactions:

- (1) The merged company paid Qiyu Construction Co., Ltd. management consulting fees and sales activity fees totaling NT\$11,429 thousand and contracted the project to Qiyu Construction Co., Ltd. to receive guarantee notes of NT\$70,218 thousand.
- (2) The Company entered a joint-construction agreement with Highwealth Construction Co., Ltd, and paid a refundable deposit for NT\$100,000 thousand and refundable deposit notes for NT\$200,000 thousand

7. Endorsement/guarantee: None.

8. Other matters materially affecting finance and business: None.

2. Where the Company has carried out a private placement of securities during the most recent fiscal year and up to the date of publication of the annual report, disclose the date on which the placement was approved by the Board of Directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the Company, participation in the operations of the Company, actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan: None.
3. Holding or disposal of the Company's shares by affiliates in the most recent year and up to the date of publication of the annual report: None.
4. Other Necessary Supplementary Notes: none.
5. Occurrence of any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities during the most recent fiscal year and up to the date of publication of the annual report: None.



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Independent Auditors' Report

To the Board of Directors of Run Long Construction Co., Ltd.:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition on sales of properties and land

Please refer to note 4(n), and 6(s) of the consolidated financial statements for the accounting policy on revenue recognition and the details of revenue.



Description of key audit matter

The real estate industry, in which the Group is into, has a higher tendency of revenue fluctuation, therefore the management has set up relevant internal control procedures. The Group's sales revenue was \$2,353,101 thousand in 2022, whether revenue is presented fairly has a significant impact on financial statement. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

Auditing procedures performed

Our principal audit procedures included the following: We test the effectiveness of the design and implementing the internal control system of sales revenue; Inspect of sales contracts, bank account transaction record and real estate ownership transfer document, etc.; Test the samples of sales transaction before and after the end of the year to ensure the correctness of sales revenue.

2. Inventory valuation

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

Description of key audit matter

As of December 31, 2022, inventory of the Group valued \$35,583,333 thousand, constituting 73% of the total assets, which was presented with lower of cost or net realizable value method. The judgment of net realizable value of inventory relies on management since the Group focuses on real estate industry, which is not only deeply affected by politics, macroeconomics, prosperity, and revolution of housing and land taxation, but also an industry involving a large portion of capital infusion and long-term payback. Thus, the valuation of inventory is one of the most important evaluation in performing our audit procedures.

Auditing procedures performed

Our principal audit procedures included the following: We understand the Group's operating and accounting procedures for inventory valuation; Obtain the Group management's data of inventory valuation; verify and inspect market value of the afore mentioned information. The net realizable value can be assessed in the following ways: through reviewing the recent selling price of the premises, by inquiring the selling price of premises nearby from the "Actual Selling Price of Real Estate" website, or by obtaining project investment analysis tables, inspecting and recalculating the net realizable value of inventory to ensure if it is adequate.

Other Matter

Run Long Construction Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

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



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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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

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

The engagement partners on the audit resulting in this independent auditors' report are Yilien Han and Kuo-Yang Tseng.

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2023

Notes to Readers

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

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2022</u>		<u>December 31, 2021</u>				<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 2,252,570	5	2,178,382	6	2100	Short-term borrowings (note 6(i))	\$ 22,624,135	46	14,074,657	36
1120	Current financial assets at fair value through other comprehensive income (notes 6(b) and 8)	582,804	1	607,956	2	2110	Short-term notes and bills payable (note 6(i))	851,321	2	1,236,759	3
1140	Current contract assets (note 6(s))	49,113	-	34,959	-	2130	Current contract liabilities (notes 6(s) and 9)	5,654,456	12	3,268,109	8
1150	Notes receivable, net (notes 6(c) and 8)	194,620	-	363,485	1	2150	Notes payable	-	-	3,720	-
1170	Accounts receivable, net (note 6(c))	1,162,477	3	121,145	-	2170	Accounts payable	2,217,481	5	2,304,761	6
1180	Accounts receivable due from related parties, net (notes 6(c) and 7)	-	-	96,679	-	2180	Accounts payable to related parties (note 7)	62,374	-	181,778	1
1200	Other receivables	760	-	27,340	-	2200	Other payables (note 7)	665,785	1	748,292	2
1320	Inventories (for construction business), net (notes 6(d), 7 and 8)	35,583,333	73	27,246,899	69	2230	Current tax liabilities (note 6(p))	20,247	-	332,883	1
1410	Prepayments	569,190	1	269,153	1	2250	Current provisions (notes 6(m) and (o))	50,544	-	46,791	-
1476	Other current financial assets (notes 6(h), 7 and 8)	1,910,752	4	3,600,921	9	2280	Current lease liabilities (note 6(l))	29,104	-	29,149	-
1479	Other current assets, others	60,697	-	48,771	-	2321	Bonds payable, current portion or putable bonds (note 6(k))	-	-	1,989,327	5
1480	Current assets recognized as incremental costs to obtain contract with customers (note 6(h))	<u>1,564,071</u>	<u>3</u>	<u>934,204</u>	<u>2</u>	2322	Long-term borrowings, current portion (note 6(j))	25,525	-	25,944	-
						2399	Other current liabilities, others	<u>367,174</u>	<u>1</u>	<u>125,636</u>	<u>-</u>
		<u>43,930,387</u>	<u>90</u>	<u>35,529,894</u>	<u>90</u>			<u>32,568,146</u>	<u>67</u>	<u>24,367,806</u>	<u>62</u>
Non-current assets:						Non-Current liabilities:					
1600	Property, plant and equipment (notes 6(e) and 8)	232,087	1	237,243	1	2530	Bonds payable (note 6(k))	9,855,015	20	7,861,799	20
1755	Right-of-use assets (note 6(f))	101,396	-	129,364	-	2541	Long-term borrowings (note 6(j))	293,399	1	318,538	1
1760	Investment property, net (notes 6(g) and 8)	909,214	2	755,059	2	2570	Deferred tax liabilities (note 6(p))	2,844	-	2,844	-
1780	Intangible assets	16,218	-	14,380	-	2580	Non-current lease liabilities (note 6(l))	<u>72,040</u>	<u>-</u>	<u>99,013</u>	<u>-</u>
1840	Deferred tax assets (note 6(p))	8,603	-	8,639	-			<u>10,223,298</u>	<u>21</u>	<u>8,282,194</u>	<u>21</u>
1984	Other non-current financial assets, others (notes 6(h) and 8)	3,567,375	7	2,595,296	7		Total liabilities	<u>42,791,444</u>	<u>88</u>	<u>32,650,000</u>	<u>83</u>
1990	Other non-current assets, others	<u>49,491</u>	<u>-</u>	<u>55,136</u>	<u>-</u>		Equity (note 6(q)):				
		4,884,384	10	3,795,117	10	3110	Ordinary share	4,510,261	9	3,921,966	10
						3200	Capital surplus	22,601	-	21,376	-
						3300	Retained earnings	1,359,891	3	2,575,943	7
						3400	Other equity interest	<u>130,574</u>	<u>-</u>	<u>155,726</u>	<u>-</u>
							Total equity	<u>6,023,327</u>	<u>12</u>	<u>6,675,011</u>	<u>17</u>
Total assets		<u>\$ 48,814,771</u>	<u>100</u>	<u>39,325,011</u>	<u>100</u>	Total liabilities and equity		<u>\$ 48,814,771</u>	<u>100</u>	<u>39,325,011</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
Operating Revenues (notes 6(n), (s) and 7):					
4511	Construction revenue	\$ 2,353,101	95	9,638,471	92
4521	Engineering service revenue	116,644	5	825,576	8
4800	Other operating revenue	<u>15,979</u>	-	<u>15,220</u>	-
		<u>2,485,724</u>	<u>100</u>	<u>10,479,267</u>	<u>100</u>
5000	Operating costs (note 7)	<u>1,673,107</u>	<u>67</u>	<u>7,740,794</u>	<u>74</u>
	Gross profit from operations	<u>812,617</u>	<u>33</u>	<u>2,738,473</u>	<u>26</u>
Operating expenses:					
6100	Selling expenses (notes 6(h), (t) and 7)	248,082	10	340,109	3
6200	Administrative expenses (note 6(t))	<u>344,979</u>	<u>14</u>	<u>308,317</u>	<u>3</u>
		<u>593,061</u>	<u>24</u>	<u>648,426</u>	<u>6</u>
	Operating income	<u>219,556</u>	<u>9</u>	<u>2,090,047</u>	<u>20</u>
Non-operating income and expenses (notes 6(u) and 7):					
7100	Interest income	10,730	-	5,892	-
7010	Other income	62,366	3	34,948	-
7020	Other gains and losses	99,759	3	59,801	1
7050	Finance costs	<u>(159,342)</u>	<u>(6)</u>	<u>(130,487)</u>	<u>(1)</u>
	Total non-operating income and expenses	<u>13,513</u>	<u>-</u>	<u>(29,846)</u>	<u>-</u>
	Profit from continuing operations before tax	233,069	9	2,060,201	20
7950	Less: Income tax expenses (note 6(p))	<u>76,433</u>	<u>3</u>	<u>388,371</u>	<u>4</u>
	Profit	<u>156,636</u>	<u>6</u>	<u>1,671,830</u>	<u>16</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains from (losses on) investments in equity instruments measured at fair value through other comprehensive income	<u>(25,152)</u>	<u>(1)</u>	<u>5,258</u>	<u>-</u>
8300	Other comprehensive income (net after tax)	<u>(25,152)</u>	<u>(1)</u>	<u>5,258</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 131,484</u>	<u>5</u>	<u>1,677,088</u>	<u>16</u>
Earnings per share (note 6(r))					
9750	Basic earnings per share (NT dollars)	<u>\$ 0.35</u>		<u>3.71</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 0.35</u>		<u>3.70</u>	

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RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Total other equity interest	Total equity
	Share capital		Retained earnings			Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings		
Balance on January 1, 2021	\$ 3,699,966	168,389	889,525	162,588	1,052,113	150,468	5,070,936
Profit	-	-	-	1,671,830	1,671,830	-	1,671,830
Other comprehensive income	-	-	-	-	-	5,258	5,258
Total comprehensive income	-	-	-	1,671,830	1,671,830	5,258	1,677,088
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	11,750	(11,750)	-	-	-
Cash dividends of ordinary share	-	-	-	(74,000)	(74,000)	-	(74,000)
Stock dividends of ordinary share	74,000	-	-	(74,000)	(74,000)	-	-
Stock dividends from capital surplus	148,000	(148,000)	-	-	-	-	-
Due to donated assets received	-	987	-	-	-	-	987
Balance on December 31, 2021	3,921,966	21,376	901,275	1,674,668	2,575,943	155,726	6,675,011
Profit	-	-	-	156,636	156,636	-	156,636
Other comprehensive income	-	-	-	-	-	(25,152)	(25,152)
Total comprehensive income	-	-	-	156,636	156,636	(25,152)	131,484
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	167,184	(167,184)	-	-	-
Cash dividends of ordinary share	-	-	-	(784,393)	(784,393)	-	(784,393)
Stock dividends of ordinary share	588,295	-	-	(588,295)	(588,295)	-	-
Due to donated assets received	-	1,225	-	-	-	-	1,225
Balance on December 31, 2022	\$ 4,510,261	22,601	1,068,459	291,432	1,359,891	130,574	6,023,327

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows used in operating activities:		
Profit before tax	\$ 233,069	2,060,201
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	45,479	42,202
Amortization	3,522	3,005
Interest expense	159,342	130,487
Interest income	(10,730)	(5,892)
Dividend income	(52,666)	(26,352)
Gain on disposal of property, plant and equipment	(7)	-
Gain on disposal of investment properties	(10,960)	-
Gain on lease modifications	(8)	(76)
Total adjustments to reconcile profit (loss)	133,972	143,374
Changes in operating assets and liabilities:		
Decrease (increase) in contract assets	(14,154)	79,429
Decrease (increase) in notes receivable	168,865	(202,793)
Increase in accounts receivable	(1,041,332)	(8,042)
Decrease in accounts receivable due from related parties	96,679	100,570
Decrease (increase) in other receivables	26,745	(25,920)
Decrease in other receivables due from related parties	-	47,457
Decrease in inventories	-	10,598
Increase in inventories (construction)	(8,064,514)	(2,188,514)
Increase in prepayments	(292,386)	(1,993)
Decrease (increase) in other current assets	(11,926)	66,283
Increase in other financial assets—current	(300,385)	(200,085)
Increase in assets recognized as incremental costs to obtain contract with customers	(629,867)	(523,729)
Decrease (increase) in other financial assets—non-current	4,431	(3,662)
Increase in contract liabilities	2,386,347	205,668
Increase (decrease) in notes payable	(3,720)	3,649
Increase (decrease) in accounts payable	(87,280)	688,092
Decrease in accounts payable to related parties	(119,404)	(380,528)
Increase (decrease) in other payables	(110,052)	404,171
Increase in provisions	3,753	25,529
Increase (decrease) in other current liabilities	241,538	(192,830)
Total adjustments	(7,612,690)	(1,953,276)
Cash inflow (outflow) generated from operations	(7,379,621)	106,925
Income taxes paid	(389,033)	(154,686)
Net cash flows used in operating activities	(7,768,654)	(47,761)

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RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from investing activities:		
Proceeds from disposal of non-current assets classified as held for sale	-	884,722
Acquisition of property, plant and equipment	(3,090)	(1,755)
Proceeds from disposal of property, plant and equipment	7	-
Acquisition of intangible assets	(5,360)	(2,334)
Proceeds from disposal of investment properties	39,507	-
Increase in other non-current assets	-	(64,291)
Interest received	10,431	3,867
Dividends received	52,666	26,352
Net cash flows from investing activities	94,161	846,561
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	15,893,516	8,813,283
Decrease in short-term borrowings	(7,347,800)	(6,674,700)
Increase in short-term notes and bills payable	4,972,300	13,671,400
Decrease in short-term notes and bills payable	(5,358,500)	(15,193,500)
Proceeds from issuing bonds	2,000,000	2,000,000
Repayments of bonds	(2,000,000)	(1,500,000)
Repayments of long-term borrowings	(25,558)	(1,018,091)
Payment of lease liabilities	(27,010)	(26,092)
Other financial assets—current	2,172,052	697,517
Other financial assets—non-current	(1,157,874)	(981,920)
Cash dividends paid	(784,393)	(74,000)
Interest paid	(588,052)	(443,958)
Net cash flows from (used in) financing activities	7,748,681	(730,061)
Net increase in cash and cash equivalents	74,188	68,739
Cash and cash equivalents at beginning of period	2,178,382	2,109,643
Cash and cash equivalents at end of period	\$ 2,252,570	2,178,382

See accompanying notes to consolidated financial statements.

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RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

Run Long Construction Co., Ltd. (the “Company”) was incorporated in January 1977 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The Company's registered address is 8F., No. 267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.). On August 3, 1994, the Company's shares were listed on the Taiwan Stock Exchange (TWSE). The consolidated financial statements of the Company as of and for the year ended December 31, 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group primarily engages in the business of construction, sales, leasing of residential and commercial buildings. Please refer to note 14 for the Group's main business activities.

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

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

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements except for that mentioned in note 3.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following significant accounts.

- 1) Financial instruments measured at fair value through other comprehensive income are measured at fair value;

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group’s consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All the financial information presented in New Taiwan Dollar has been rounded to the nearest thousands.

(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

- (ii) List of subsidiaries in the consolidated financial statements:

Name of investor	Subsidiaries	Principal activity	Shareholding		Description
			December 31, 2022	December 31, 2021	
The Company	Jin Jyun Construction Co., Ltd.	Construction industry, residence and building lease construction	100.00 %	100.00 %	

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent:

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

- (e) Cash and cash equivalents

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

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4) Impairment of financial assets

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

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

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

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

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

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

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

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

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Inventory

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

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

(i) Construction site

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value (development analytical method or comparison method).

(ii) Construction in progress

Net realizable value is the estimated selling price (prevailina market condition) less the estimated costs and selling expenses needed to complete.

(iii) Real estate held for sale

Net realizable value is the estimated selling price (current market condition) in the ordinary course of business, less the estimated selling costs and expenses needed to sell the estate.

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings	3~50 years
2) Equipment	3~5 years
3) Transportation and office equipment	3~5 years
4) Other equipment	3~15 years

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

(j) Lease

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

(i) As a lessee

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

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

- 1) There is a change in future lease payments arising from the change in an index or rate; or
- 2) There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) There is a change of its assessment on whether it will exercise an option to purchase the underlying assets; or
- 4) There is a change of its assessment of lease period on whether it will exercise an extension or termination option; or
- 5) There is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

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The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Group applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(ii) As a lessor

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

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

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

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

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

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Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable flow into the Group and intends to the Group, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

1) Patent and trademark	10 years
2) Computer software	1~3 years

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Warranties

A provision for warranties is recognized by expected warranty expense in warranty period of construction. When warranty expense occurs, it would be written off the warranty provision which was recognized before, or warranty expense would be recognized as expense in the current period.

(n) Revenue

(i) Revenue from contracts with customers

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

1) Land development and sale of real estate

The Group develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. An enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. In rare circumstances, for pre selling properties, the consideration is usually received in installments during the period from contract signing to the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

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2) Construction contracts

The Group enters into contracts to build residential properties, commercial buildings and public constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days) the Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For residential properties, and commercial buildings, the Group offers a standard warranty to provide assurance that they comply with agreed upon specifications and has recognized warranty provisions for this obligation.

3) Financing components

The Group expects that (i) the financing components are not substantive to individual contract or (ii) the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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(o) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

Short-term employee benefits obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income Taxes

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

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

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

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

(q) Earnings per share

The Company disclose the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares, such as remuneration of employee stock options.

(r) Operating segments

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

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

In preparation these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is as follows: None.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

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(a) Valuation of inventories

Inventories are measured at the lower of cost and net realizable value. The Group's evaluate the selling price in the market is below the cost, and write off the cost of inventory to net realizable value. The estimation of net realizable value is based on current market conditions . Please refer note 6(d) for inventory valuation.

Valuation process

The Group's accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The fair value measurement of investment property is based on the website of Department of Land Administration and estate agency's website or the close deal in similar district.

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

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The transfers policy between levels of the fair value hierarchy.

If there is any movement of financial instruments measured at fair value between level 1, level 2 and level 3, the Group recognizes the movement at the reporting date. For assumptions used in measuring fair value. Please refer notes as follows:

- (a) Note 6(g) Investment property.
- (b) Note 6(v) Financial instruments.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 587	569
Demand Deposits (including foreign currency)	2,251,973	2,177,469
Check Deposits	<u>10</u>	<u>344</u>
Cash and cash equivalents	<u>\$ 2,252,570</u>	<u>2,178,382</u>

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Please refer to note 6(v) for the disclosure of the Group's financial assets and liabilities interest risk and sensitivity analysis.

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

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic market	\$ 582,804	607,956

(i) The Group designated the investments shown above as equity investment at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not hold for sale.

During the years ended December 31, 2022 and 2021, the dividends of \$52,666 thousand and \$26,352 thousand, respectively, related to equity investments at fair value through other comprehensive income, were recognized;

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

(ii) For credit risk and market risk, please refer to note 6(v).

(iii) The financial assets at fair value through other comprehensive income of the Group had been pledged as collateral. Please refer to note 8.

(c) Note and account receivables, net (including related parties)

	December 31, 2022	December 31, 2021
Note receivable	\$ 194,620	363,485
Trade receivables—measured as amortized cost	1,162,477	217,824
Total	\$ 1,357,097	581,309

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

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance Provision
Current	\$ 1,357,097	-	-

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	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance Provision
Current	\$ 581,309	-	-

For the years ended December 31, 2022 and 2021, there are no expected credit losses recognized or reversed.

As of December 31, 2022 and 2021, note receivables had been pledged as collateral; please refer to note 8.

(d) Inventories

	December 31, 2022	December 31, 2021
Prepaid for land purchase	\$ -	278,063
Land held for construction sites	701,934	2,479,866
Construction in progress	33,050,714	22,674,681
Properties and land held for sale	1,830,685	1,814,289
Total	\$ 35,583,333	27,246,899

For the years ended December 31, 2022 and 2021, the cost of inventory recognized as cost of goods sold and expense were \$1,554,810 thousand and \$7,005,813 thousand, respectively.

For the years ended December 31, 2022 and 2021, the Group changed the usage of partial asset, and reclassified properties and land held for sale to investment property according to definition of investment property. Please refer to Note 6(g).

For the years ended December 31, 2022 and 2021, there is no write-offs or reversals of inventories.

For the years ended December 31, 2022 and 2021, construction in progress of the Group is calculated using a capitalization rate 2.07% and 1.82%, respectively. For the amount of capitalized interest, please refer to note 6(u).

As of December 31, 2022 and 2021 the inventories of the Group had been pledged as collateral, please refer to note 8.

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

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	<u>Land (Including improvement)</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other equipment (Including transportation, office, leased improvements and other equipment)</u>	<u>Total</u>
Cost:					
Balance on January 1, 2022	\$ 213,883	49,628	1,699	49,710	314,920
Additions	-	-	-	3,090	3,090
Disposals	-	-	-	(884)	(884)
Balance on December 31, 2022	<u>\$ 213,883</u>	<u>49,628</u>	<u>1,699</u>	<u>51,916</u>	<u>317,126</u>
Balance on January 1, 2021	\$ 213,883	49,628	1,699	47,955	313,165
Additions	-	-	-	1,755	1,755
Balance on December 31, 2021	<u>\$ 213,883</u>	<u>49,628</u>	<u>1,699</u>	<u>49,710</u>	<u>314,920</u>
Depreciation and Impairment:					
Balance on January 1, 2022	\$ 4,990	43,996	602	28,089	77,677
Depreciation	570	1,597	425	5,654	8,246
Disposals	-	-	-	(884)	(884)
Balance on December 31, 2022	<u>\$ 5,560</u>	<u>45,593</u>	<u>1,027</u>	<u>32,859</u>	<u>85,039</u>
Balance on January 1, 2021	\$ 4,420	42,174	177	22,534	69,305
Depreciation	570	1,822	425	5,555	8,372
Balance on December 31, 2021	<u>\$ 4,990</u>	<u>43,996</u>	<u>602</u>	<u>28,089</u>	<u>77,677</u>
Carrying amounts:					
Balance on December 31, 2022	<u>\$ 208,323</u>	<u>4,035</u>	<u>672</u>	<u>19,057</u>	<u>232,087</u>
Balance on December 31, 2021	<u>\$ 208,893</u>	<u>5,632</u>	<u>1,097</u>	<u>21,621</u>	<u>237,243</u>

For the years ended December 31, 2022 and 2021, the above-mentioned property, plant and equipment of the Company were not pledged as collateral.

(f) Right-of-use assets

The Group leases assets including land and buildings. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance on January 1, 2022	\$ 3,552	152,503	156,055
Transfer to investment property	(73)	-	(73)
Balance on December 31, 2022	<u>\$ 3,479</u>	<u>152,503</u>	<u>155,982</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance on January 1, 2021	\$ 12,447	-	12,447
Additions	72	152,503	152,575
Lease modification	(8,967)	-	(8,967)
Balance on December 31, 2021	<u>\$ 3,552</u>	<u>152,503</u>	<u>156,055</u>
Depreciation and impairment losses:			
Balance on January 1, 2022	\$ 427	26,264	26,691
Depreciation	182	27,728	27,910
Transfer to investment property	(15)	-	(15)
Balance on December 31, 2022	<u>\$ 594</u>	<u>53,992</u>	<u>54,586</u>
Balance on January 1, 2021	\$ 274	-	274
Depreciation	946	26,264	27,210
Lease modification	(793)	-	(793)
Balance on December 31, 2021	<u>\$ 427</u>	<u>26,264</u>	<u>26,691</u>
Carrying amounts:			
Balance on December 31, 2022	<u>\$ 2,885</u>	<u>98,511</u>	<u>101,396</u>
Balance on December 31, 2021	<u>\$ 3,125</u>	<u>126,239</u>	<u>129,364</u>

(g) Investment Property

The information of investment properties of the Group were as follows:

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Right-of-use assets-Land</u>	<u>Total</u>
Cost:				
Balance on January 1, 2022	\$ 423,691	349,785	-	773,476
Transfer from inventory	90,615	101,352	-	191,967
Transfer from right-of-use assets	-	-	73	73
Disposals	(12,542)	(16,217)	-	(28,759)
Balance on December 31, 2022	<u>\$ 501,764</u>	<u>434,920</u>	<u>73</u>	<u>936,757</u>
Balance on January 1, 2021	\$ 375,656	317,575	-	693,231
Transfer from inventory	48,035	32,210	-	80,245
Balance on December 31, 2021	<u>\$ 423,691</u>	<u>349,785</u>	<u>-</u>	<u>773,476</u>

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	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Right-of-use assets-Land</u>	<u>Total</u>
Depreciation and Impairment:				
Balance on January 1, 2022	\$ -	18,417	-	18,417
Transfer from right-of-use assets	-	-	15	15
Depreciation	-	9,320	3	9,323
Disposals	-	(212)	-	(212)
Balance on December 31, 2022	<u>\$ -</u>	<u>27,525</u>	<u>18</u>	<u>27,543</u>
Balance on January 1, 2021	\$ -	11,797	-	11,797
Depreciation	-	6,620	-	6,620
Balance on December 31, 2021	<u>\$ -</u>	<u>18,417</u>	<u>-</u>	<u>18,417</u>
Carrying amounts:				
Balance on December 31, 2022	<u>\$ 501,764</u>	<u>407,395</u>	<u>55</u>	<u>909,214</u>
Balance on December 31, 2021	<u>\$ 423,691</u>	<u>331,368</u>	<u>-</u>	<u>755,059</u>
Fair value:				
Balance on December 31, 2022				<u>\$ 1,141,412</u>
Balance on December 31, 2021				<u>\$ 940,387</u>

The investment property includes the Group's own assets and right-of-use assets held in recognition of lease rights and office buildings and parking lots leased to third parties under operating leases. Please refer to note 6(n) for more information.

The fair value measurement of investment property is based on the website of Department of Land Administration and estate agencies website or the close deal in similar district. The fair value measurement of investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

As of December 31, 2022 and 2021, the Group's investment property had been pledged as collateral, please refer to note 8.

(h) Other financial assets and incremental costs of obtaining a contract

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current and non-current financial assets	\$ 5,478,127	6,196,217
Current incremental costs of obtaining a contract	1,564,071	934,204
Total	<u>\$ 7,042,198</u>	<u>7,130,421</u>

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
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(i) Other financial assets

Other financial assets include certificate of deposit as collateral, trust account for presale of properties, reserve account for borrowing, endoresement and peformance guarantee, reserve account for bonds and construction deposit.

(ii) Incremental costs of obtaining a contract

The Group expects that incremental commission fees paid to intermediaries, and the bonus for the internal sales department are recoverable. The Group has therefore capitalized them as contract costs. Capitalized commission fees are amortized when the related revenues are recognized. For the years ended December 31, 2022 and 2021, the Group recognized \$110,217 thousand and \$193,621 thousand of selling expense.

(i) Short-term borrowings, notes and bills payable

The details of short-term borrowings, notes and bills payable of the Group were as follows:

	December 31, 2022			
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	2.11%~3.40%	2023~2027	\$ 21,334,135
Unsecured bank loans	TWD	1.93%~2.53%	2023~2027	1,290,000
Short-term notes and bills payable	TWD	2.29%~2.49%	2023	<u>851,321</u>
Total				<u>\$ 23,475,456</u>

	December 31, 2021			
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.54%~2.48%	2022~2026	\$ 13,552,657
Unsecured bank loans	TWD	1.23%~1.68%	2022	522,000
Short-term notes and bills payable	TWD	0.47%~1.82%	2022	<u>1,236,759</u>
Total				<u>\$ 15,311,416</u>

(i) The issue of bank loan and repayment

For the years ended December 31, 2022 and 2021, the incremental amounts were \$20,865,816 thousand and \$22,484,683 thousand, respectively; the repayment amounts were \$12,706,300 thousand and \$21,868,200 thousand, respectively.

(ii) Collateral for bank loans

The Group had pledged as collateral for bank loans, please refer to note 8.

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- (j) Long-term borrowings/Long-term borrowings, current portion

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

	December 31, 2022			
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	2.04%	2034	\$ 318,924
Less: current portion				(25,525)
Total				\$ 293,399
	December 31, 2021			
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.54%	2034	\$ 344,482
Less: current portion				(25,944)
Total				\$ 318,538

- (i) The issue of bank loan and repayment

For the years ended December 31, 2022 and 2021, the incremental amounts were no addition; the repayment amounts were \$25,558 thousand and \$1,018,091 thousand, respectively.

- (ii) Collateral for bank loans

The Group had pledged as collateral for bank loans, please refer to note 8.

- (k) Bonds payable/Bonds payable current portion or putable bonds

The details of the Group's bonds payable were as follows:

	December 31, 2022	December 31, 2021
Secured ordinary corporate bond — current	\$ -	1,989,327
Secured ordinary corporate bond — non-current	9,855,015	7,861,799
Total	\$ 9,855,015	9,851,126

- (i) The Group issued a secured ordinary corporate bond for 5 years at the amount of \$2,000,000 thousand, with an interest rate of 0.85% and 0.57%, in April 2022 and November 2021, respectively.
- (ii) The Group issued a secured ordinary corporate bond amounting to \$5,900,000 thousand, and \$2,000,000 thousand with an interest rate of 0.78%~0.85% and 0.98% in 2019, and August 2017, respectively. The secured ordinary corporate bonds were issued for 5 years.
- (iii) For the details of collateral of secured ordinary corporate bond, please refer to note 8.

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(l) Lease liabilities

The carrying amount of lease liabilities were as follows :

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	\$ <u>29,104</u>	<u>29,149</u>
Non-current	\$ <u>72,040</u>	<u>99,013</u>

For the maturity analysis, please refer to note 6(v).

The amounts recognized in profit or loss were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>2,145</u>	<u>2,282</u>
Expenses relating to short-term leases	\$ <u>15,197</u>	<u>19,389</u>

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>44,352</u>	<u>47,763</u>

(i) Real estate lease

In January 2021, the Group sold and leased back its office buildings, and leases land for parking lot. The leases run for a period of 5.5-20 years. The Group also leases out its office equipment and outdoor advertising. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(m) Provisions

	<u>Warranty</u>
Balance on January 1, 2022	\$ 43,197
Provisions made during the year	6,785
Provisions reversed during the year	(6,967)
Balance on December 31, 2022	\$ <u>43,015</u>
Balance on January 1, 2021	\$ 17,778
Provisions made during the year	25,419
Balance on December 31, 2021	\$ <u>43,197</u>

For the years ended December 31, 2022 and 2021, the Group's warranty provision is related to construction contract. The warranty measured by the historical record, the Group expects most of the liabilities will realize within 1-3 years after construction completion.

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(n) Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(g) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2022	December 31, 2021
Less than one year	\$ 17,981	16,271
One to two years	12,049	16,031
Two to three years	9,029	9,358
Three to four years	4,131	6,261
Four to five years	4,131	514
More than five years	3,034	-
Total undiscounted lease payments	\$ 50,355	48,435

For the years ended December 31, 2022 and 2021, the Group's rental income from investment properties were \$15,979 thousand and \$14,991 thousand, respectively.

(o) Employee benefits

(i) Defined benefit plans

The Group's employee benefit liabilities were as follows:

	December 31, 2022	December 31, 2021
Short-term paid leave liability	\$ 7,529	3,594

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$9,193 thousand and \$8,780 thousand for the years ended December 31, 2022 and 2021, respectively.

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(p) Income tax

- (i) The components of income tax expense for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Current tax expense		
Current period	\$ 27,130	352,214
Land value increment tax	39,487	40,167
Adjustment for prior periods	3,182	1,074
Additional surtax on unappropriated earnings	6,598	-
	76,397	393,455
Deferred tax expense		
Origination and reversal of temporary differences	36	(5,084)
Tax expense	\$ 76,433	388,371

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31	
	2022	2021
Profit before tax	\$ 233,069	2,060,201
Income tax expense at domestic statutory tax rate	46,614	412,040
Book –tax difference between deferred interest expense	(20,901)	(14,629)
Land tax exempt income	(63,284)	31,987
Book –tax difference between deferred sales commission	14,535	(18,712)
Adjustment for prior periods	3,182	1,074
Book-Tax difference between deferred impairment loss	-	(33,096)
Land value increment tax	39,487	40,167
Dividend income	(10,533)	(5,270)
Additional surtax on unappropriated earnings	6,598	-
Others	60,735	(25,190)
	\$ 76,433	388,371

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(ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for for the years ended December 31, 2022 and 2021 were as follows:

	Warranty
<u>Deferred tax assets:</u>	
Balance on January 1, 2022	\$ 8,639
Debit income statement	(36)
Balance on December 31, 2022	<u>\$ 8,603</u>
Balance on January 1, 2021	\$ 3,555
Credit income statement	5,084
Balance on December 31, 2021	<u>\$ 8,639</u>
	Provision for land value increment tax
<u>Deferred tax liabilities:</u>	
Balance on January 1, 2022	\$ 2,844
Balance on December 31, 2022	<u>\$ 2,844</u>
Balance on January 1, 2021	\$ 2,844
Balance on December 31, 2021	<u>\$ 2,844</u>

(iii) Assessment of tax

The Company' s and its subsidiaries income tax had been examined by the tax authorities till the year 2020.

(q) Capital and other equity

As of December 31, 2022 and 2021, the total value of authorized ordinary shares were \$8,000,000 thousand and \$5,000,000 thousand, respectively, with par value of \$10 per share. The paid-in capital were \$451,026 thousand and \$392,197 thousand, respectively.

(i) Ordinary shares

A resolution was passed during the general meeting of shareholders held on June 9, 2022 for the issuance of 150 new shares per one thousand shares, using retained earnings, with an amount totaling \$588,295 thousand. A resolution was passed during the general meeting of shareholders held on August 16, 2021 for the issuance of 20 and 40 new shares per one thousand shares, using retained earnings and capital surplus, respectively, with an amount totaling \$222,000 thousand. The Company has received the approval from the Financial Supervisory Commission for the above-mentioned capital increase on August 1, 2022, and August 30, 2021, respectively. Also, a resolution was passed during the board meeting, to set October 2, 2022, and October 2, 2021, respectively, as the base date for the stock allotment. The relevant statutory registration procedures have since been completed.

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(ii) Capital surplus

The components of the capital surplus were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Premium on issuance of capital stock	\$ 12,021	12,021
Donation from shareholders	4,810	3,585
Other	<u>5,770</u>	<u>5,770</u>
	<u>\$ 22,601</u>	<u>21,376</u>

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

On August 16, 2021, a resolution was approved during the general meetings of the shareholders for the distribution of cash dividends amounting to \$148,000 thousand.

(iii) Retained earnings

In accordance with the Company's Articles of Incorporation, stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. When distributing dividends, the Company determines the stock or cash dividends to be paid. The limit of dividend distribution is maintained between 10% and 100% of current-year earnings distribution. The cash dividends shall not be below 10% of total dividends.

As the Company distributes all or part of dividends, or legal reserve, or capital with cash, the Company should hold a Board meeting to pass the resolution by more than half of the directors present at the Board meeting, which meeting requires a quorum of two thirds of all the directors present. The resolution should be submitted to the Shareholder's meeting.

1) Legal reserve

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

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2) Special reserve

In accordance with the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for the years ended December 31, 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on June 9, 2022 and August 16, 2021, also by the boarding meeting held on March 14, 2022 and March 19, 2021, respectively, and the dividends distribution was as follows:

	For the years ended December 31			
	2021		2020	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 2.00	784,393	0.20	74,000
Shares	1.50	588,295	0.20	74,000
Total		\$ 1,372,688		148,000

The amount of cash dividends on the appropriations of earnings for the year ended December 31, 2022, had been approved during the board meeting on March 10, 2023, as follows:

	For the years ended December 31	
	2022	
	Amount per share	Total Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.60	270,616

(iv) Other equity items (net after tax)

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance on January 1, 2022	\$ 155,726
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(25,152)
Balance on December 31, 2022	\$ 130,574

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	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance on January 1, 2021	\$ 150,468
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	5,258
Balance on December 31, 2021	\$ 155,726

(r) Earnings per share

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

(i) Basic earnings per share

	For the years ended December 31	
	2022	2021
1) Profit attributable to ordinary shareholders of the Company	\$ 156,636	1,671,830
2) Weighted-average number of ordinary shares	451,026	451,026

(ii) Diluted earnings per share

	For the years ended December 31	
	2022	2021
1) Profit attributable to ordinary shareholders of the Company (diluted)	\$ 156,636	1,671,830
2) Weighted-average number of ordinary shares (basic)	451,026	451,026
Effect of restricted employee shares unvested	156	499
Weighted-average number of ordinary shares (diluted)	451,182	451,525

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2022		
	Sales of real estate department	Construction contractor department	Total
Primary geographical markets:			
Taiwan	\$ 2,369,080	116,644	2,485,724
Major products/services lines:			
Sales revenue (sales of real estate)	\$ 2,353,101	-	2,353,101
Construction contractor	-	116,644	116,644
Other revenue	15,979	-	15,979
	\$ 2,369,080	116,644	2,485,724

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	<u>For the year ended December 31, 2022</u>		
	<u>Sales of real estate department</u>	<u>Construction contractor department</u>	<u>Total</u>
Timing of revenue recognition:			
Revenue transferred over time	\$ 15,979	116,644	132,623
Products and services transferred at a point in time	<u>2,353,101</u>	<u>-</u>	<u>2,353,101</u>
Total	<u>\$ 2,369,080</u>	<u>116,644</u>	<u>2,485,724</u>
	<u>For the year ended December 31, 2021</u>		
	<u>Sales of real estate department</u>	<u>Construction contractor department</u>	<u>Total</u>
Primary geographical markets:			
Taiwan	<u>\$ 9,653,691</u>	<u>825,576</u>	<u>10,479,267</u>
Major products/services lines:			
Sales revenue (sales of real estate)	\$ 9,638,471	-	9,638,471
Construction contractor	-	825,576	825,576
Other revenue	<u>15,220</u>	<u>-</u>	<u>15,220</u>
Total	<u>\$ 9,653,691</u>	<u>825,576</u>	<u>10,479,267</u>
Timing of revenue recognition:			
Revenue transferred over time	14,991	825,576	840,567
Products and services transferred at a point in time	<u>9,638,700</u>	<u>-</u>	<u>9,638,700</u>
Total	<u>\$ 9,653,691</u>	<u>825,576</u>	<u>10,479,267</u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract assets—Construction	\$ 49,113	34,959	114,388
Less: Allowance for impairment	-	-	-
Total	<u>\$ 49,113</u>	<u>34,959</u>	<u>114,388</u>
Contract liabilities—Construction	\$ 1	-	50,395
Contract liabilities—Sales of real estate	5,654,170	3,267,845	3,308,906
Contract liabilities—Advance receipt	285	264	5,804
Total	<u>\$ 5,654,456</u>	<u>3,268,109</u>	<u>3,365,105</u>

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability—Sales of real estate balance at the beginning of the period were \$236,221 thousand and \$1,372,307 thousand, respectively.

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The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2022 and 2021.

(t) Employee and directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 0.1% of the profit as employee remuneration and less than 1% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$4,000 thousand and \$27,000 thousand, respectively, and directors' remuneration amounting to \$1,500 thousand and \$10,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as specified in the Company's articles. If there is difference between the estimated amount and actual distribution of next year, the Company recognizes it in profit and loss of the next year, as a change in accounting estimates. If a resolution is made by the meeting of Board of Directors to distribute employee remuneration by shares, the number of shares to be distributed will be calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. These remunerations were expensed under operating expenses for the years end 2022 and 2021. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022 and 2021.

(u) Non-operating income and expense

(i) Interest income

The details of interest income for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest income from construction refundable deposit	\$ 133	2,199
Interest income from bank deposit and bills	10,597	2,760
Others	-	933
	<u>\$ 10,730</u>	<u>5,892</u>

(ii) Other income

The details of other income for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Dividend income	\$ 52,666	26,352
Rent income	9,700	8,596
	<u>\$ 62,366</u>	<u>34,948</u>

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(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Gain on disposal of investment property	\$ 10,960	-
Gain on disposal of property, plant and equipment	7	
Foreign exchange income (losses)	933	(87)
Other income	90,448	59,966
Other expenses	(2,589)	(78)
	\$ 99,759	59,801

(iv) Finance costs

The details of finance cost for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Interest expense		
Bank loans and collateral	\$ 527,572	345,375
Guarantee fees	2,885	16,421
Interest on corporate bond	84,982	83,931
Other financial expenses	2,145	2,282
Less: capitalized interest	(458,242)	(317,522)
	\$ 159,342	130,487

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The most of accounts receivable of the Group are from sales of real estate department and construction contractor department. Receivables generated from construction contractor department are mostly from companies in the Group or listed companies, which are considered to have good credit. Thus, the Group evaluates there is no significant credit risk.

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Receivables generated from sales of real estate department are mostly from individuals, and the payments are usually completed with transferring, check, or loans from the bank, which are considered to have low credit risk and no past-due condition. Thus, the Group evaluates there is no need to recognize loss allowance provision.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
December 31, 2022						
Non derivative financial liabilities:						
Secured bank loans	\$ 21,653,059	22,614,044	10,144,703	8,664,165	3,606,703	198,473
Unsecured bank loans	1,290,000	1,312,915	1,244,624	3,186	65,105	-
Short-term notes and bills payable	851,321	851,700	851,700	-	-	-
Ordinary corporate bonds (including current portion)	9,855,015	10,128,240	77,220	6,005,620	4,045,400	-
Notes payable, accounts payable and other payables	2,945,640	2,945,640	2,945,640	-	-	-
Lease liabilities	101,144	104,730	29,162	58,325	16,519	724
	<u>\$ 36,696,179</u>	<u>37,957,269</u>	<u>15,293,049</u>	<u>14,731,296</u>	<u>7,733,727</u>	<u>199,197</u>
December 31, 2021						
Non derivative financial liabilities:						
Secured bank loans	\$ 13,897,139	14,626,158	1,619,390	5,977,050	6,807,073	222,645
Unsecured bank loans	522,000	524,321	524,321	-	-	-
Short-term notes and bills payable	1,236,759	1,237,900	1,237,900	-	-	-
Ordinary corporate bonds (including current portion)	9,851,126	10,123,060	2,079,820	6,020,440	2,022,800	-
Notes payable, accounts payable and other payables	3,238,551	3,238,551	3,238,551	-	-	-
Lease liabilities	128,162	133,892	29,162	58,325	45,607	798
	<u>\$ 28,873,737</u>	<u>29,883,882</u>	<u>8,729,144</u>	<u>12,055,815</u>	<u>8,875,480</u>	<u>223,443</u>

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

(iii) Market risk

1) Interest rate analysis

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

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

If the interest rate had increased / decreased by 0.5% basis points, the Group's interest expenses would have increased / decreased by \$114,738 thousand and \$72,137 thousand, respectively, for the years ended December 31, 2022 and 2021, with all other variable factors remaining constant. Taking into account that capitalized interest of profit may decrease or increase by \$29,603 thousand and \$21,011 thousand, respectively. This is mainly due to the Group's borrowing at variable rates.

2) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31			
	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Price of securities at reporting date				
Increasing 10%	\$ 58,280	-	60,796	-
Decreasing 10%	\$ (58,280)	-	(60,796)	-

(iv) Information of fair value

1) Valuation techniques for financial instruments measured at fair value

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

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 582,804	582,804	-	-	582,804

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		December 31, 2022			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,252,570	-	-	-	-
Notes and accounts receivable	1,357,097	-	-	-	-
Other receivables	760	-	-	-	-
Other financial assets – current	1,910,752	-	-	-	-
Other financial assets – non-current	3,567,375	-	-	-	-
Subtotal	9,088,554	-	-	-	-
Total	\$ 9,671,358	582,804	-	-	582,804
Financial liabilities measured at amortized cost					
Short-term loans	\$ 22,624,135	-	-	-	-
Short-term notes and bills payable	851,321	-	-	-	-
Notes payable, accounts payable and other payables	2,945,640	-	-	-	-
Lease liabilities	101,144	-	-	-	-
Corporate bonds payable (including current portion)	9,855,015	-	-	-	-
Long-term loans (including current portion)	318,924	-	-	-	-
Total	\$ 36,696,179	-	-	-	-
		December 31, 2021			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 607,956	607,956	-	-	607,956
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,178,382	-	-	-	-
Notes and accounts receivable	581,309	-	-	-	-
Other receivables	27,340	-	-	-	-
Other financial assets – current	3,600,921	-	-	-	-
Other financial assets – non-current	2,595,296	-	-	-	-
Subtotal	8,983,248	-	-	-	-
Total	\$ 9,591,204	607,956	-	-	607,956
Financial liabilities measured at amortized cost					
Short-term loans	\$ 14,074,657	-	-	-	-
Short-term notes and bills payable	1,236,759	-	-	-	-
Notes payable, accounts payable and other payables	3,238,551	-	-	-	-
Lease liabilities	128,162	-	-	-	-
Corporate bonds payable (including current portion)	9,851,126	-	-	-	-
Long-term loans (including current portion)	344,482	-	-	-	-
Total	\$ 28,873,737	-	-	-	-

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
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2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Fair values and extents of financial instruments quoted in active markets are listed as follows:

i) Fair value of listed stocks and corporate bonds are determined by market prices, for they are issued with standard terms and conditions, and are quoted in active markets.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate. Structured Interest Rate Derivatives financial instruments are based on appropriate option pricing models (such as the Black – Scholes model) or other evaluation methods.

The discounted cash flow method is used to estimate the fair value. The main assumptions are considering the probability of occurrence based on the surplus before the tax, interest, depreciation and amortization to estimate the price to be paid, and are estimated as the present value after discounting, whose discount rate is adjusted based on the risk.

3) Transfers between levels

Stock held by the Group quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques for the years ended December 31, 2022 and 2021. There is no transfer between levels measured at fair value for the years ended December 31, 2022 and 2021.

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(w) Financial risk management

(i) Overview

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

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

The following likewise discusses the Group's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Group's credit risk is affected by its clients. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed by the masses with transferring, check, or loans from the bank. Receivables generated from construction contractor department are mostly from companies in the Group or listed companies, which are considered to have low credit risk.

The Group discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt impairment loss account. Allowance for bad debt impairment loss account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

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3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. On December 31, 2022 and 2021, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

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

(x) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, or issue new shares.

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

As of 2022, the Group's capital management strategy is consistent with the prior year as of 2021. The gearing ratio is maintained so as to ensure financing at reasonable cost. The Group's debt-to-equity ratio as of December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 42,791,444	32,650,000
Less: cash and cash equivalents	<u>(2,252,570)</u>	<u>(2,178,382)</u>
Net debt	40,538,874	30,471,618
Total Equity	<u>6,023,327</u>	<u>6,675,011</u>
Total capital and equity	<u>\$ 46,562,201</u>	<u>37,146,629</u>
Debt-to-equity ratio	<u>87%</u>	<u>82%</u>

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

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follows:

- (i) By the lease to get the right-of-use asset, please refer to notes 6(f).

(7) Related-party transactions:

- (a) Parent company and ultimate controlling company

On December 31, 2022 and 2021, Guang Yang Investment Co., Ltd. (Guang Yang) is the parent company of the Group and owns 6.37% and 6.13% of all shares outstanding of the Company, respectively. Chyi Yuh Construction Co., Ltd. is the parent company of Guang Yang. Highwealth Construction Corp. is the ultimate controlling party of the Group and has issued the Consolidated Financial Statements available for Public Use.

- (b) Names and relationship with related party

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Guang Yang Investment Co., Ltd.	Parent company of the Group
Chyi Yuh Construction Co., Ltd.	Parent company of Guang Yang Investment Co., Ltd.
Highwealth Construction Corp. (Highwealth)	Ultimate controlling company of the Group
Well Rich International Co., Ltd.	Same ultimate controlling company with the Group
Bo Yuan Construction Co., Ltd. (Bo Yuan)	"
Ju Feng Hotel Management Consultant Co., Ltd. (Ju Feng)	"
Highwealth Real Estate Co., Ltd.	"
Da Li Investment Co., Ltd.	Same president with the Company
Goyu Construction Co., Ltd	The entity is a joint venture under the parent company of the Group
○○, Chen	Key management personnel of the ultimate controlling company of the Group
○○, Ye	Relatives by blood within the second degree of relationship of key management personnel of the Company
○○, Ciou	Relatives by blood within the second degree of relationship of key management personnel of the Company

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(c) Significant transactions with related parties

(i) Operating revenues

1) Construction revenues

The amounts of significant sales and amount unsettled by the Group to related parties were as follows:

	<u>Construction revenue</u>		<u>Contract liabilities-sales of real estate</u>	
	<u>For the years ended December 31</u>	<u>For the years ended December 31</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	○○, Ye	\$ -	-	2,438
○○, Ciou	-	-	2,150	-
	<u>\$ -</u>	<u>-</u>	<u>4,588</u>	<u>1,528</u>

As of December 31, 2022 and 2021, the total amount of the contract of sales to the related parties are \$32,078 thousand and \$17,088 thousand (VAT included), respectively. The prices were based on the Group's Employee Purchase Benefit Policy, and the terms of receiving payment were not materially different from those of non-related parties.

2) Engineering service

The engineering service recognized by the Group to related parties were as follows:

	<u>Engineering service recognized</u>	
	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Parent company – Highwealth	\$ -	580,172
	<u>-</u>	<u>580,172</u>
	<u>Amount charged</u>	
	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Parent company – Highwealth	\$ -	651,454
	<u>-</u>	<u>651,454</u>

The Group determines the price of construction contract to related parties on the basis of construction budget added reasonable fees and margin, after approvals from managements. There were no significant differences from the margin rates and payment terms given to other customers.

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(ii) Purchase

- 1) The amounts of purchases from contract construction by the Group from related parties were as follows:

	Purchase (charged)	
	For the years ended December 31	
	2022	2021
Parent company:		
Chyi Yuh	\$ 174,989	390,276
Other related parties	<u>11,275</u>	<u>27,057</u>
	<u>\$ 186,264</u>	<u>417,333</u>

There were no significant differences of the price and conditions for related parties and ordinary contract mentioned above.

- 2) The Group commissioned related parties to administer construction properties. Administration fees were as follows:

	Expense paid	
	For the years ended December 31	
	2022	2021
Parent company:		
Highwealth	\$ -	4,667
Other related parties	<u>6,548</u>	<u>2,398</u>
	<u>\$ 6,548</u>	<u>7,065</u>

(iii) Receivables from related parties

The receivables from related parties were as follows:

Accounted items	Categories	December 31, 2022	December 31, 2021
Accounts receivable	Parent company – Highwealth	<u>\$ -</u>	<u>96,679</u>

(iv) Payables to related parties

The payables to related parties were as follows:

Accounted items	Categories	December 31, 2022	December 31, 2021
Accounts payable	Parent company – Chyi Yuh	\$ 55,927	155,253
"	Other related parties	6,447	26,525
Other payables	Parent company	75	1,246
"	Other related parties	<u>7,934</u>	<u>4,596</u>
		<u>\$ 70,383</u>	<u>187,620</u>

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(v) Leases

The leases between the Group and related parties were as follows:

1) Rent income

	<u>Guarantee deposits</u>		<u>Rent income</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Parent company	\$ -	-	57	57
Other related parties :				
Bo Yuan	1,378	1,378	7,902	6,749
Other related parties	-	-	41	47
	<u>\$ 1,378</u>	<u>1,378</u>	<u>8,000</u>	<u>6,853</u>

2) Rent expense

	<u>Refundable deposits</u>		<u>Rent expense</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Parent company	\$ 215	215	6,416	4,671
Other related parties	140	140	777	940
	<u>\$ 355</u>	<u>355</u>	<u>7,193</u>	<u>5,611</u>

(vi) Others

- 1) As of December 31, 2022 and 2021, the Group's contracts with related parties for construction cooperation were as follows:

<u>Property</u>	<u>Land owner</u>	<u>Type</u>	<u>Portion</u>	<u>Construction deposits</u>
<u>December 31, 2022</u>				
Shr Jeng Ai Yue (Huei An section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposits \$ 100,000 Refundable notes \$ 200,000
<u>December 31, 2021</u>				
Shr Jeng Ai Yue (Huei An section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000 Refundable notes \$ 200,000

- 2) As of December 31, 2022 and 2021, the Group received guarantee notes from Chyi Yuh were \$70,218 thousand and \$85,418 thousand for the construction contracts, respectively.

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- 3) The Group commissioned related parties to sell real estate and administer the construction sites. Related consulting fees and commission and sales expense were as follows:

	Expense paid	
	For the years ended December 31	
	2022	2021
Parent company	\$ 11,429	11,534
Other related parties:		
Ju Feng	18,117	23,094
Other related parties	3,492	2,332
	\$ 33,038	36,960

- 4) The management services of sales properties provided to related parties were as follows:

	Other income	
	For the years ended December 31	
	2022	2021
Parent company	\$ -	3,438

- (d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2022	
	2022	2021
Short-term employee benefits	\$ 20,280	47,640

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Financial assets at FVOCI	Bank loans	\$ 529,744	607,956
Notes receivable	Bank loans and bonds	190,830	231,552
Other financial assets – current and non-current	Trust account, performance guarantee, bank loans and bonds	4,961,671	5,722,732
Inventories (construction)	Bank loans, short-term notes and bills payable and bonds	35,263,773	23,119,945
Investment property	Long-term borrowings, bank loans, short-term notes and bills payable and bonds	909,159	755,059
		\$ 41,855,177	30,437,244

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As of December 31, 2022 and 2021, the book value of pledged assets providing undrawn guaranteed loan are \$282,171 thousand and \$65,752 thousand, respectively. As of December 31, 2022 and 2021 the Group provided notes receivable of presale cases \$2,215,071 thousand, and \$1,536,234 thousand, as collateral for the bank loan, respectively.

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

- (i) Amount of signed contract and received amount from contracts for construction released, for properties sold in advance and sold after completion, were as follows:

	December 31, 2022	December 31, 2021
Amounts of signed contracts	<u>\$ 47,726,441</u>	<u>32,748,085</u>
Received amount from contracts	<u>\$ 5,654,170</u>	<u>3,267,845</u>
Outstanding checks received from presale cases	<u>\$ 2,543,260</u>	<u>2,159,217</u>

- (ii) As of December 31, 2022 and 2021, the refundable deposits paid by the Group for the joint construction were both \$425,000 thousand, and the refundable notes paid were both \$220,000 thousand.

- (iii) As of December 31, 2022 and 2021, the contract price of administer services the Group provided to joint investors were \$14,286 thousand, the amounts received both were \$11,429 thousand.

- (iv) Unrecognized commitments generated by signing contracts for purchasing inventories were as follows:

	December 31, 2022	December 31, 2021
Acquisition of inventory (construction)	<u>\$ -</u>	<u>2,768,959</u>

- (v) Construction contract price signed by subsidiaries was as follows:

	December 31, 2022	December 31, 2021
Amount of signed contracts	<u>\$ 303,731</u>	<u>252,079</u>
Received amount from contracts	<u>\$ 187,074</u>	<u>123,574</u>

(10) Losses due to major disasters:None

(11) Subsequent events:None

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(12) Other:

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

By item	By function	For the years ended December 31					
		2022			2021		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		69,036	119,229	188,265	55,683	168,861	224,544
Labor and health insurance		7,406	14,076	21,482	5,591	13,871	19,462
Pension		3,369	5,824	9,193	2,847	5,933	8,780
Others		2,763	16,200	18,963	2,396	14,333	16,729
Depreciation		9,866	35,613	45,479	7,052	35,150	42,202
Amortization		-	3,522	3,522	-	3,005	3,005

(b) Other

Regarding the fraud allegations against TSAI, TSUNG-PIN, the chairman of the Group, in connection with the Kuobin Dayuan case, the Taipei District Prosecutors Office decided not to prosecute TSAI, TSUNG-PIN and others on December 21, 2016. However, after the plaintiff requested a review and the Taiwan High Prosecutors Office revoked the non-prosecution decision, the prosecutor filed charges of ordinary fraud against TSAI, TSUNG-PIN on January 5, 2023. The case is now being tried by the Taipei District Court, and the Group assesses that the aforementioned event has no significant impact on the financial operations of the Group.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

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

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	Jin Jyun Construction Co., Ltd.	The company	3	1,204,665	1,000,000	1,000,000	-	1,000,000	16.60 %	3,011,664	N	Y	N

Note 1: The numbering is as follows:

- 1) “0” represents the company
- 2) Investees are sequentially numbered from 1 by company

Note 2: The relationship between the guarantee and the guarantor are as follows:

- 1) Transactions between the companies.
- 2) The Company directly or indirectly holds more than 50% voting right.
- 3) When other companies directly or indirectly hold more than 50% voting rights of the Company.
- 4) The Company directly or indirectly holds more than 90% voting right.
- 5) A company that is mutually protected under contractual requirements based on the needs of the contractor.
- 6) A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
- 7) Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

Note 3: The Company endorsed the operation method for the total amount of guarantees and the limit for endorsement of a single enterprise:

- 1) The aggregate amount of endorsements and guarantees endorsed by the company and its subsidiaries shall not exceed 50% of the net value of the Company.
- 2) The aggregate amount of endorsements and guarantees endorsed by the company and its subsidiaries for a single enterprise shall not exceed 20% of the net value of the Company.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Stock- Highwealth Construction Corp.	Ultimate Controlling company of the Company	Financial assets at fair value through other comprehensive income-current	14,461,638	582,804	0.84 %	582,804	0.94 %	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chyi Yuh Construction Co., Ltd.	Parent company of the Company	Contracting project	174,989	1.83%		-	-	(55,927)	(5.05)%	Note 2
The Company	Jin Jyun Construction Co., Ltd.	Subsidiary of the Company	Contracting project and management fee	4,700,460	49.10%		-	-	(555,304)	(50.18)%	Note 2, 3
Jin Jyun Construction Co., Ltd.	The Company	Parent company	Contracted project and management responsibility	(4,906,282)	(97.68)%		-	-	555,304	96.89%	Note 1, 3

Note 1: The contracted company recognizes its construction revenue through percentage of completion method, and the amount of sales included.

Note 2: The contracting company records its import price through estimates of amount of purchase through number of trials.

Note 3: Reconciliated in the preparation of consolidated report.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Jin Jyun Construction Co., Ltd.	The Company	Parent company	555,304	8.82	-	-	438,327	-

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Jin Jyun Construction Co., Ltd.	1	Accounts payable	555,304	Same with peer terms	1.14%
			1	Operating cost	4,906,282	Same with peer terms	197.38%
1	Jin Jyun Construction Co., Ltd.	The Company	2	Accounts receivable	555,304	Same with peer terms	1.14%
			2	Operating revenue	4,906,282	Same with peer terms	197.38%

Note 1: The numbering is as follows:

- 1) "0" represents the parent company
- 2) Subsidiaries are sequentially numbered from 1 by company

Note 2: Relation between related parties are as follows:

- 1) Parent company and its subsidiaries
- 2) Subsidiaries and its parent company

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value				
Run Long Construction Co., Ltd.	Stock- Jin Jyun Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	718,300	518,300	70,000,000	100.00 %	580,477	100.00 %	103,845	(49,802)	

Note: Reconciliated in the preparation of consolidated report.

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Ching Shr Ban Investment Co., Ltd.		44,419,740	9.84 %
Shing Ri Sheng Investment Co., Ltd.		33,074,642	7.33 %
Ruen Ying Investment Co., Ltd.		33,058,302	7.32 %
Guang Yang Investment Co., Ltd.		28,759,103	6.37 %
Highwealth Construction Corp.		27,289,288	6.05 %
Wan Sheng Fa Investment Co., Ltd.		26,103,040	5.78 %
Feng Rau Investment Co., Ltd.		24,426,382	5.41 %
Chyi Yuh Construction Co., Ltd.		23,095,755	5.12 %

RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

The Group used to engage in the business of construction, sales of residential and commercial buildings. Information about reportable segments and reconciliations of the Group for the years ended December 31, 2022 and 2021 were detailed below:

	<u>Developing segment</u>	<u>Constructing segment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
For the year ended December 31, 2022				
Revenue:				
Revenue from external customers	\$ 2,369,080	116,644	-	2,485,724
Intersegment	-	4,906,282	(4,906,282)	-
Interest revenue	9,308	1,422	-	10,730
Total revenue	\$ 2,378,388	5,024,348	(4,906,282)	2,496,454
Interest expenses	\$ 156,869	2,473	-	159,342
Depreciation and amortization	\$ 45,843	3,269	(111)	49,001
Reportable segment profit or loss	\$ 205,718	131,195	(103,844)	233,069
Capital expenditure	\$ 4,869	3,581	-	8,450
Reportable segment assets	\$ 47,223,596	3,175,214	(1,584,039)	48,814,771
Reportable segment liabilities	\$ 41,200,269	2,291,669	(700,494)	42,791,444
For the year ended December 31, 2021				
Revenue:				
Revenue from external customers	\$ 9,653,691	825,576	-	10,479,267
Intersegment	-	3,310,591	(3,310,591)	-
Interest revenue	5,528	364	-	5,892
Total revenue	\$ 9,659,219	4,136,531	(3,310,591)	10,485,159
Interest expenses	\$ 130,075	412	-	130,487
Depreciation and amortization	\$ 42,411	2,796	-	45,207
Reportable segment profit or loss	\$ 2,040,100	99,854	(79,753)	2,060,201
Capital expenditure	\$ 66,137	2,243	-	68,380
Reportable segment assets	\$ 37,740,002	2,839,644	(1,254,635)	39,325,011
Reportable segment liabilities	\$ 31,064,991	2,187,944	(602,935)	32,650,000



安侯建業聯合會計師事務所
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Independent Auditors' Report

To the Board of Directors of Run Long Construction Co., Ltd.:

Opinion

We have audited the financial statements of Run Long Construction Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition on sales of properties and land

Please refer to note 4(m), and 6(s) of the financial statements for the accounting policy on revenue recognition and the details of revenue.



Description of key audit matter

The real estate industry, in which the Company is into, has a higher tendency of revenue fluctuation, therefore the management has set up relevant internal control procedures. The Company's sales revenue was \$2,353,101 thousand in 2022, whether revenue is presented fairly has a significant impact on financial statement. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

Auditing procedures performed

Our principal audit procedures included the following: We test the effectiveness of the design and implementing the internal control system of sales revenue; Inspect of sales contracts, bank account transaction record and real estate ownership transfer document, etc.; Test the samples of sales transaction before and after the end of the year to ensure the correctness of sales revenue.

2. Inventory valuation

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

Description of key audit matter

As of December 31, 2022, inventory of the Company valued \$35,030,726 thousand, constituting 74% of the total assets, which was presented with lower of cost or net realizable value method. The judgment of net realizable value of inventory relies on management since the Company focuses on real estate industry, which is not only deeply affected by politics, macroeconomics, prosperity, and revolution of housing and land taxation, but also an industry involving a large portion of capital infusion and long-term payback. Thus, the valuation of inventory is one of the most important evaluation in performing our audit procedures.

Auditing procedures performed

Our principal audit procedures included the following: We understand the Company's operating and accounting procedures for inventory valuation; Obtain the Company management's data of inventory valuation; verify and inspect market value of the afore mentioned information. The net realizable value can be assessed in the following ways: through reviewing the recent selling price of the premises, by inquiring the selling price of premises nearby from the "Actual Selling Price of Real Estate" website, or by obtaining project investment analysis tables, inspecting and recalculating the net realizable value of inventory to ensure if it is adequate.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are Yilien Han and Kou-Yang Tseng.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2023

Notes to Readers

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

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
Operating Revenues (notes 6(n) and (s)):					
4511	Construction revenue	\$ 2,353,101	99	9,638,471	100
4800	Other operating revenue	<u>15,979</u>	<u>1</u>	<u>15,220</u>	<u>-</u>
		<u>2,369,080</u>	<u>100</u>	<u>9,653,691</u>	<u>100</u>
5000	Operating costs (note 7)	<u>1,564,244</u>	<u>66</u>	<u>7,012,433</u>	<u>73</u>
	Gross profit from operations	<u>804,836</u>	<u>34</u>	<u>2,641,258</u>	<u>27</u>
Operating expenses:					
6100	Selling expenses (notes 6(i) and 7)	248,082	10	340,109	4
6200	Administrative expenses (notes 6(t) and 7)	<u>263,462</u>	<u>11</u>	<u>227,300</u>	<u>2</u>
		<u>511,544</u>	<u>21</u>	<u>567,409</u>	<u>6</u>
	Operating income	<u>293,292</u>	<u>13</u>	<u>2,073,849</u>	<u>21</u>
Non-operating income and expenses: (notes 6(u) and 7)					
7100	Interest income	9,308	-	5,528	-
7010	Other income	62,366	3	34,790	-
7020	Other gains and losses	47,423	2	43,551	1
7050	Finance costs	(156,869)	(7)	(130,075)	(1)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>(49,802)</u>	<u>(2)</u>	<u>12,457</u>	<u>-</u>
		<u>(87,574)</u>	<u>(4)</u>	<u>(33,749)</u>	<u>-</u>
	Profit from continuing operations before tax	205,718	9	2,040,100	21
7950	Less: Income tax expenses (note 6(p))	<u>49,082</u>	<u>2</u>	<u>368,270</u>	<u>4</u>
	Profit	<u>156,636</u>	<u>7</u>	<u>1,671,830</u>	<u>17</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains from (loss on) investments in equity instruments measured at fair value through other comprehensive income	<u>(25,152)</u>	<u>(1)</u>	<u>5,258</u>	<u>-</u>
8300	Other comprehensive income (net after tax)	<u>(25,152)</u>	<u>(1)</u>	<u>5,258</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 131,484</u>	<u>6</u>	<u>1,677,088</u>	<u>17</u>
Earnings per share (note 6(r))					
9750	Basic earnings per share (NT dollars)	<u>\$ 0.35</u>		<u>3.71</u>	
	Diluted earnings per share (NT dollars)	<u>\$ 0.35</u>		<u>3.70</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
Balance on January 1, 2021	\$ 3,699,966	168,389	889,525	162,588	1,052,113	150,468	5,070,936
Profit	-	-	-	1,671,830	1,671,830	-	1,671,830
Other comprehensive income	-	-	-	-	-	5,258	5,258
Total comprehensive income	-	-	-	1,671,830	1,671,830	5,258	1,677,088
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	11,750	(11,750)	-	-	-
Cash dividends of ordinary share	-	-	-	(74,000)	(74,000)	-	(74,000)
Stock dividends of ordinary share	74,000	-	-	(74,000)	(74,000)	-	-
Stock dividends from capital surplus	148,000	(148,000)	-	-	-	-	-
Due to donated assets received	-	987	-	-	-	-	987
Balance on December 31, 2021	3,921,966	21,376	901,275	1,674,668	2,575,943	155,726	6,675,011
Profit	-	-	-	156,636	156,636	-	156,636
Other comprehensive income	-	-	-	-	-	(25,152)	(25,152)
Total comprehensive income	-	-	-	156,636	156,636	(25,152)	131,484
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	167,184	(167,184)	-	-	-
Cash dividends of ordinary share	-	-	-	(784,393)	(784,393)	-	(784,393)
Stock dividends of ordinary share	588,295	-	-	(588,295)	(588,295)	-	-
Due to donated assets received	-	1,225	-	-	-	-	1,225
Balance on December 31, 2022	\$ 4,510,261	22,601	1,068,459	291,432	1,359,891	130,574	6,023,327

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 205,718	2,040,100
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	44,045	40,750
Amortization	1,798	1,661
Interest expense	156,869	130,075
Interest income	(9,308)	(5,528)
Dividend income	(52,666)	(26,352)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	49,802	(12,457)
Gain on disposal of property, plant and equipment	(7)	-
Gain on disposal of investment properties	(10,960)	-
Gain on lease modifications	(8)	(76)
Total adjustments to reconcile profit (loss)	179,565	128,073
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	168,865	(202,793)
Decrease (increase) in accounts receivable	(1,133,169)	23,640
Decrease (increase) in other receivables	26,744	(25,920)
Decrease in other receivables due from related parties	-	47,457
Decrease in inventories	-	10,598
Increase in inventories (construction)	(8,012,451)	(1,932,772)
Increase in prepayments	(224,033)	(19,403)
Increase in other current assets	(9,206)	(867)
Decrease (increase) in other financial assets—current	(302,362)	286,426
Increase in assets recognized as incremental costs to obtain contract with customers	(629,867)	(523,729)
Decrease (increase) in other financial assets—non-current	4,372	(3,695)
Total changes in operating assets	(10,111,107)	(2,341,058)
Changes in operating liabilities:		
Increase in contract liabilities	2,386,346	256,063
Increase (decrease) in notes payable	(3,674)	3,674
Increase in accounts payable	26,484	23,397
Decrease in accounts payable to related parties	(117,834)	(112,581)
Increase (decrease) in other payables	(120,911)	404,001
Increase in provisions	161	206
Increase (decrease) in other current liabilities	242,917	(193,148)
Total changes in operating liabilities	2,413,489	381,612
Total changes in operating assets and liabilities	(7,697,618)	(1,959,446)
Total adjustments	(7,518,053)	(1,831,373)
Cash inflow (outflow) generated from operations	(7,312,335)	208,727
Income taxes paid	(370,426)	(105,099)
Net cash flows from (used in) operating activities	(7,682,761)	103,628

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD.

Statements of Cash Flows (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(200,000)	-
Proceeds from disposal of non-current assets held for sale	-	884,722
Acquisition of property, plant and equipment	(2,054)	(843)
Proceeds from disposal of property, plant and equipment	7	-
Acquisition of intangible assets	(2,815)	(1,003)
Proceeds from disposal of investment properties	39,507	-
Increase in other non-current assets	-	(64,291)
Interest received	9,171	3,510
Dividends received	124,666	156,352
Net cash flows from (used in) investing activities	(31,518)	978,447
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	15,093,516	8,413,283
Decrease in short-term borrowings	(6,547,800)	(6,474,700)
Increase in short-term notes and bills payable	4,772,300	13,621,400
Decrease in short-term notes and bills payable	(5,258,500)	(15,143,500)
Proceeds from issuing bonds	2,000,000	2,000,000
Repayments of bonds	(2,000,000)	(1,500,000)
Repayments of long-term borrowings	(25,558)	(1,018,091)
Other financial assets – current	1,682,052	697,517
Other financial assets – non-current	(1,117,874)	(981,920)
Payment of lease liabilities	(27,010)	(26,092)
Cash dividends paid	(784,393)	(74,000)
Interest paid	(585,344)	(443,590)
Net cash flows from (used in) financing activities	7,201,389	(929,693)
Net increase (decrease) in cash and cash equivalents	(512,890)	152,382
Cash and cash equivalents at beginning of period	1,438,780	1,286,398
Cash and cash equivalents at end of period	\$ 925,890	1,438,780

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

Run Long Construction Co., Ltd. (the “Company”) was incorporated in January 1977 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The Company's registered address is 8F., No. 267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.). On August 3, 1994, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). The Company primarily engages in the business of construction, sales, leasing of residential and commercial buildings.

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

The parent company only financial statements were authorized for issue by the Board of Directors on March 10, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

RUN LONG CONSTRUCTION CO., LTD.

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- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The following significant accounting policies have been applied consistently to all periods presented in the parent company only financial statements except for that mentioned in note 3.

(a) Statement of compliance

These partner company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

The accompanying parent company only financial statements have been prepared on the historical cost basis except for the following significant accounts.

- 1) Financial instruments measured at fair value through other comprehensive income are measured at fair value;

(ii) Functional and presentation currency

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All the financial information presented in New Taiwan Dollar has been rounded to the nearest thousands.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

(d) Cash and cash equivalents

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

(e) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) –equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and account receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

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4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(f) Inventories

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

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

(i) Construction site

Net realizable value is by referring to the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value (development analytical method or comparison method).

(ii) Construction in progress

Net realizable value is the estimated selling price (prevailing market condition) less the estimated costs and selling expenses needed to complete.

(iii) Real estate held for sale

Net realizable value is the estimated selling price (prevailing market condition) in the ordinary course of business, less the estimated selling costs and expenses needed to sell the estate.

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(g) Investing subsidiaries

In preparing the parent company only financial statements of the Company, investee company that controlled by the Company is accounted for under the equity method. Under equity method, profit for the year and other comprehensive income for the year reported in an entity's parent company only financial statement of comprehensive income, shall equal to profit for the year and other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity' s parent company only financial statement shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

The Company' s changes in equity interests in subsidiaries that did not lead to loss of control, deemed as equity transactions between owners.

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

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(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings	3~50 years
2) Equipment	3~5 years
3) Transportation and office equipment	3~5 years
4) Other equipment	3~15 years

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

(j) Lease

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

(i) As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

- 1) Fixed payments; including in-substance fixed payments;
- 2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) Amounts expected to be payable under a residual value guarantee; and

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- 4) Payments for purchase or termination options that are reasonably certain to be exercised.

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

- 1) There is a change in future lease payments arising from the change in an index or rate; or
- 2) There is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) There is a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- 4) There is a change of its assessment of lease period on whether it will exercise an extension or termination option; or
- 5) There is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Company applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Company derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Company applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Company continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

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(ii) As a lessor

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

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

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

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

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable flow into the Company and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

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(iii) Amortization

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

1) Patent and trademark	10 years
2) Computer software	1~3 years

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

(m) Revenue

(i) Revenue from contracts with customers

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

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1) Land development and sale of real estate

The Company develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. An enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. In rare circumstances for pre selling properties, the consideration is usually received by installment during the period from contract signing to the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

2) Financing components

The Company expects that (i) the financing components are not substantive to individual contract or (ii) the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

(n) Employee benefits

(i) Defined contribution plans

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

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(ii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income Taxes

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

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

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

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either
 - 1) The same taxable entity; or

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- 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Earnings per share

The Company disclose the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares, such as remuneration of employee stock options.

(q) Operating segments

The Company has disclosed operating segments information in the consolidated financial statements. Therefore, the Company does not disclose operating segment information in the parent company only financial statements.

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

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about judgements made in applying accounting policies that have significant effects on the amounts recognized in the parent only company financial statements is as follows: None.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

Inventories are measured at the lower of cost and net realizable value, the Company's evaluate the selling price in the market is below the cost, and write off the cost of inventory to net realizable value. The estimation of net realizable value is based on current market conditions . Please refer note 6(d) for inventory valuation.

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Valuation process

The Company's accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The fair value measurement of investment property is based on the website of Department of Land Administration and estate agency's website or the close deal in similar district.

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

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The transfers policy between levels of the fair value hierarchy

If there is any movement of financial instruments measured at fair value between level 1, level 2 and level 3, the Company recognizes the movement at the reporting date. For assumptions used in measuring fair value. Please refer notes as follows:

- (a) Note 6(h) Investment property.
- (b) Note 6(v) Financial instruments.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 337	339
Demand Deposits (including foreign currency)	925,553	1,438,107
Check Deposits	-	334
Cash and cash equivalents	<u>\$ 925,890</u>	<u>1,438,780</u>

Please refer to note 6(v) for the disclosure of the Company's financial assets and liabilities interest risk and sensitivity analysis.

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Notes to the Financial Statements

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

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic market	\$ 582,804	607,956

- (i) The Company designated the investments shown above as equity investment at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes and not hold for sale.

During the years ended December 31, 2022 and 2021, the dividends of \$52,666 thousand and \$26,352 thousand, respectively, related to equity investments at fair value through other comprehensive income, were recognized;

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

- (ii) For credit risk and market risk, please refer to note 6(v).
- (iii) The financial assets at fair value through other comprehensive income of the Company had been pledged as collateral, please refer to note 8.

(c) Note and account receivables, net

	December 31, 2022	December 31, 2021
Note receivable	\$ 194,620	363,485
Trade receivables—measured as amortized cost	1,144,625	11,456
Total	\$ 1,339,245	374,941

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

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance Provision
Current	\$ 1,339,245	-	-

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	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance Provision
Current	\$ 374,941	-	-

For the years ended December 31, 2022 and 2021, there are no expected credit losses recognized or reversed.

As of December 31, 2022 and 2021, note receivables had been pledged as collateral; please refer to note 8.

(d) Inventories

	December 31, 2022	December 31, 2021
Prepaid for land purchase	\$ -	278,063
Land held for construction sites	701,934	2,479,866
Construction in progress	32,497,213	22,176,559
Properties and land held for sale	1,831,579	1,815,458
Subtotal	35,030,726	26,749,946
Total	\$ 35,030,726	26,749,946

For the years ended December 31, 2022 and 2021, the cost of inventory recognized as cost of goods sold and expense was \$1,554,810 thousand and \$7,005,813 thousand, respectively. For the years ended December 31, 2022 and 2021, there was no write-offs or reversals of inventories.

For the year ended December 31, 2022, the Company changed the usage of partial asset, and reclassified properties and land held for sale to investment property according to definition of investment property. Please refer to Note 6(h).

For the years ended December 31, 2022 and 2021, construction in progress of the Company is calculated using a capitalization rate 2.07% and 1.82%, respectively. For the amount of capitalized interest, please refer to note 6(u).

As of December 31, 2022 and 2021 the inventories of the Company had been pledged as collateral, please refer to note 8.

(e) Investments accounted for using equity method

The investments accounted for using equity method of the Company for the year ended December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 580,477	502,279

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(i) Subsidiaries

Please refer to consolidated financial statement of 2022.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

	<u>Land (Including improvement)</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other equipment (including transportation, office, leasehold improvements, and other equipment)</u>	<u>Total</u>
Cost:					
Balance on January 1, 2022	\$ 213,883	49,628	1,699	43,105	308,315
Additions	-	-	-	2,054	2,054
Disposals	-	-	-	(649)	(649)
Balance on December 31, 2022	<u>\$ 213,883</u>	<u>49,628</u>	<u>1,699</u>	<u>44,510</u>	<u>309,720</u>
Balance on January 1, 2021	\$ 213,883	49,628	1,699	42,262	307,472
Additions	-	-	-	843	843
Balance on December 31, 2021	<u>\$ 213,883</u>	<u>49,628</u>	<u>1,699</u>	<u>43,105</u>	<u>308,315</u>
Depreciation and Impairment:					
Balance on January 1, 2022	\$ 4,990	43,996	602	24,108	73,696
Depreciation	570	1,597	425	4,109	6,701
Disposals	-	-	-	(649)	(649)
Balance on December 31, 2022	<u>\$ 5,560</u>	<u>45,593</u>	<u>1,027</u>	<u>27,568</u>	<u>79,748</u>
Balance on January 1, 2021	\$ 4,420	42,174	177	20,005	66,776
Depreciation	570	1,822	425	4,103	6,920
Balance on December 31, 2021	<u>\$ 4,990</u>	<u>43,996</u>	<u>602</u>	<u>24,108</u>	<u>73,696</u>
Carrying amounts:					
Balance on December 31, 2022	<u>\$ 208,323</u>	<u>4,035</u>	<u>672</u>	<u>16,942</u>	<u>229,972</u>
Balance on December 31, 2021	<u>\$ 208,893</u>	<u>5,632</u>	<u>1,097</u>	<u>18,997</u>	<u>234,619</u>

For the years ended December 31, 2022 and 2021, the above-mentioned property, plant and equipment of the Company were not pledged as collateral.

(g) Right of use assets

The Company leases assets including land and buildings. Information about leases for which the Company as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance on January 1, 2022	\$ 3,552	152,503	156,055
Transfer to investment property	(73)	-	(73)
Balance on December 31, 2022	<u>\$ 3,479</u>	<u>152,503</u>	<u>155,982</u>

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Notes to the Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance on January 1, 2021	\$ 12,447	-	12,447
Additions	72	152,503	152,575
Lease modification	(8,967)	-	(8,967)
Balance on December 31, 2021	<u>\$ 3,552</u>	<u>152,503</u>	<u>156,055</u>
Depreciation and impairment losses:			
Balance on January 1, 2022	\$ 427	26,264	26,691
Depreciation	182	27,728	27,910
Transfer to investment property	(15)	-	(15)
Balance on December 31, 2022	<u>\$ 594</u>	<u>53,992</u>	<u>54,586</u>
Balance on January 1, 2021	\$ 274	-	274
Depreciation	946	26,264	27,210
Lease modification	(793)	-	(793)
Balance on December 31, 2021	<u>\$ 427</u>	<u>26,264</u>	<u>26,691</u>
Carrying amounts:			
Balance on December 31, 2022	<u>\$ 2,885</u>	<u>98,511</u>	<u>101,396</u>
Balance on December 31, 2021	<u>\$ 3,125</u>	<u>126,239</u>	<u>129,364</u>

(h) Investment Property

The information of investment properties of the Company were as follows:

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Right-of-use assets-Land</u>	<u>Total</u>
Cost:				
Balance on January 1, 2022	\$ 423,691	349,785	-	773,476
Transfer from inventory	90,615	104,943	-	195,558
Transfer from right-of-use assets	-	-	73	73
Disposals	(12,542)	(16,217)	-	(28,759)
Balance on December 31, 2022	<u>\$ 501,764</u>	<u>438,511</u>	<u>73</u>	<u>940,348</u>
Balance on January 1, 2021	\$ 375,656	317,575	-	693,231
Transfer from inventory	48,035	32,210	-	80,245
Balance on December 31, 2021	<u>\$ 423,691</u>	<u>349,785</u>	<u>-</u>	<u>773,476</u>

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	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Right-of-use assets-Land</u>	<u>Total</u>
Depreciation and Impairment:				
Balance on January 1, 2022	\$ -	18,417	-	18,417
Transfer from right-of-use assets	-	-	15	15
Depreciation	-	9,431	3	9,434
Disposals	-	(212)	-	(212)
Balance on December 31, 2022	<u>\$ -</u>	<u>27,636</u>	<u>18</u>	<u>27,654</u>
Balance on January 1, 2021	\$ -	11,797	-	11,797
Depreciation	-	6,620	-	6,620
Balance on December 31, 2021	<u>\$ -</u>	<u>18,417</u>	<u>-</u>	<u>18,417</u>
Carrying amounts:				
Balance on December 31, 2022	<u>\$ 501,764</u>	<u>410,875</u>	<u>55</u>	<u>912,694</u>
Balance on December 31, 2021	<u>\$ 423,691</u>	<u>331,368</u>	<u>-</u>	<u>755,059</u>
Fair value:				
Balance on December 31, 2022			<u>\$ 1,141,412</u>	
Balance on December 31, 2021			<u>\$ 940,387</u>	

The investment property includes the Company's own assets and right-of-use assets held in recognition of lease rights, and office buildings and parking lots leased to third parties under operating leases. Please refer to note 6(n) for more information.

The fair value measurement of investment property by the Company is based on the website of Department of Land Administration and estate agencies website or the close deal in similar district. The fair value measurement of investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

As of December 31, 2022 and 2021, the Company's investment property had been pledged as collateral, please refer to note 8.

- (i) Other financial assets and incremental costs of obtaining a contract

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current and non-current financial assets	\$ 5,429,405	5,695,462
Current incremental costs of obtaining a contract	1,564,071	934,204
Total	<u>\$ 6,993,476</u>	<u>6,629,666</u>

RUN LONG CONSTRUCTION CO., LTD.
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(i) Other financial assets

Other financial assets include certificate of deposit as collateral, trust account for presale of properties, reserve account for borrowing, performance guarantee, reserve account for bonds and construction deposit.

(ii) Incremental costs of obtaining a contract

The Company expects that incremental commission fees paid to intermediaries, and the bonus for the internal sales department are recoverable. The Company has therefore capitalized them as contract costs. Capitalized commission fees are amortized when the related revenues are recognized. For the years ended December 31, 2022 and 2021, the Company recognized \$110,217 thousand and \$193,621 thousand of selling expenses.

(j) Short-term borrowings/notes and bills payable

The details of short-term borrowings, notes and bills payable of the Company were as follows:

December 31, 2022				
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	2.11%~3.40%	2023~2027	\$ 21,134,135
Unsecured bank loans	TWD	1.93%~2.53%	2023~2027	1,290,000
Short-term notes and bills payable	TWD	2.29%~2.32%	2023	751,639
Total				\$ 23,175,774

December 31, 2021				
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.54%~2.48%	2022~2026	\$ 13,352,657
Unsecured bank loans	TWD	1.23%~1.68%	2022	522,000
Short-term notes and bills payable	TWD	0.47%~1.82%	2022	1,236,759
Total				\$ 15,111,416

(i) The issue of bank loan and repayment

For the years ended December 31, 2022 and 2021, the incremental amounts were \$19,865,816 thousand and \$22,034,683 thousand, respectively; the repayment amounts were \$11,806,300 thousand and \$21,618,200 thousand, respectively.

(ii) Collateral for bank loans

The Company had pledged as collateral for bank loans, please refer to note 8.

RUN LONG CONSTRUCTION CO., LTD.
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(k) Long-term borrowings/Long-term borrowings, current portion

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

December 31, 2022				
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	2.04%	2034	\$ 318,924
Less: current portion				(25,525)
Total				\$ 293,399
December 31, 2021				
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.54%	2034	\$ 344,482
Less: current portion				(25,944)
Total				\$ 318,538

(i) The issue of bank loan and repayment

For the years ended December 31, 2022 and 2021, the incremental amounts were no addition; the repayment amounts were \$25,558 thousand and \$1,018,091 thousand, respectively.

(ii) Collateral for bank loans

The Company had pledged as collateral for bank loans, please refer to note 8.

(l) Bonds payable/Bonds payable, current portion or puttable bonds

The details of the Company's bonds payable were as follows:

	December 31, 2022	December 31, 2021
Secured ordinary corporate bond—current	\$ -	1,989,327
Secured ordinary corporate bond—non-current	9,855,015	7,861,799
Total	\$ 9,855,015	9,851,126

(i) The Company issued a secured ordinary corporate bond for 5 years at the amount of \$2,000,000 thousand, with an interest rate of 0.85% and 0.57%, in April 2022 and November 2021, respectively.

(ii) The Company issued a secured ordinary corporate bond amounting to \$5,900,000 thousand, and \$2,000,000 thousand with an interest rate of 0.78%~ 0.85% and 0.98% in 2019, and August 2017, respectively. The secured ordinary corporate bonds were issued for 5 years.

(iii) For the details of collateral of secured ordinary corporate bond, please refer to note 8.

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(m) Lease liabilities

The carrying amount of lease liabilities were as follows :

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	\$ <u>29,104</u>	<u>29,149</u>
Non-current	\$ <u>72,040</u>	<u>99,013</u>

For the maturity analysis, please refer to note 6(v).

The amounts recognized in profit or loss were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>2,145</u>	<u>2,282</u>
Expenses relating to short-term leases	\$ <u>12,638</u>	<u>16,600</u>

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>41,793</u>	<u>44,974</u>

(i) Real estate lease

In January 2021, the Company sold and leased back its office buildings, and leased land for the parking lot. The leases run for a period of 5.5-20 years. The Company also leases out its office equipment and outdoor advertising. These leases are short-term and leases of low-value items. The Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(n) Operating lease

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(h) sets out information about the operating leases of investment property.

RUN LONG CONSTRUCTION CO., LTD.
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A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2022	December 31, 2021
Less than one year	\$ 17,981	16,271
One to two years	12,049	16,031
Two to three years	9,029	9,358
Three to four years	4,131	6,261
Four to five years	4,131	514
More than five years	3,034	-
Total undiscounted lease payments	<u>\$ 50,355</u>	<u>48,435</u>

For the years ended December 31, 2022 and 2021, the Company's rental income from investment properties were \$15,979 thousand and \$14,991 thousand, respectively.

(o) Employee benefits

(i) Defined benefit plans

The Company's employee benefit liabilities were as follows:

	December 31, 2022	December 31, 2021
Short-term paid leave liability	<u>\$ 2,688</u>	<u>2,527</u>

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$3,306 thousand and \$3,212 thousand for the years ended December 31, 2022 and 2021, respectively.

RUN LONG CONSTRUCTION CO., LTD.
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(p) Income tax

(i) Income tax expenses

The components of income tax expenses for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Current tax expense		
Current period	\$ -	327,269
Land value increment tax	39,487	40,167
Adjustment for prior periods	2,997	834
Additional surtax on unappropriated earnings	6,598	-
	<u>49,082</u>	<u>368,270</u>
Income tax expense	<u>\$ 49,082</u>	<u>368,270</u>

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2022 and 2021 were follows:

	For the years ended December 31	
	2022	2021
Profit before tax	\$ 205,718	2,040,100
Income tax expense at domestic statutory tax rate	41,144	408,020
Book –tax difference between deferred interest expense	(20,901)	(14,629)
Land tax exempt income	(63,284)	31,987
Adjustment for prior periods	2,997	834
Book –tax difference between deferred sales commission	14,535	(18,712)
Book –tax difference between deferred impairment loss	-	(33,096)
Land value increment tax	39,487	40,167
Dividend income	(10,533)	(5,270)
Additional surtax on unappropriated earnings	6,598	-
Others	39,039	(41,031)
	<u>49,082</u>	<u>368,270</u>
	<u>\$ 49,082</u>	<u>368,270</u>

(ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax liabilities for the years ended December 31, 2022 and 2021 were as follows:

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	Provision for land value increment tax
<u>Deferred tax liabilities:</u>	
Balance on January 1, 2022	\$ <u>2,844</u>
Balance on December 31, 2022	\$ <u><u>2,844</u></u>
Balance on January 1, 2021	\$ <u>2,844</u>
Balance on December 31, 2021	\$ <u><u>2,844</u></u>

(iii) Assessment of tax

The Company's income tax had been examined by the tax authorities till the year 2020.

(q) Capital and other equity

As of December 31, 2022 and 2021, the total value of authorized ordinary shares were \$8,000,000 thousand and \$5,000,000 thousand, respectively, with par value of \$10 per share. The paid-in capital were 451,026 thousand and 392,197 thousand, respectively.

(i) Ordinary shares

A resolution was passed during the general meeting of shareholders held on June 9, 2022, for the issuance of 150 new shares per one thousand shares, using retained earnings, with an amount totaling \$588,295 thousand. A resolution was passed during the general meeting of shareholders held on August 16, 2021, for the issuance of 20 and 40 new shares, at per one thousand share, using retained earnings and capital surplus, respectively, with an amount totaling \$222,000 thousand. The Company has received the approval from the Financial Supervisory Commission for the above-mentioned capital increase on August 1, 2022, and August 30, 2021, respectively. Also, a resolution was passed during the board meeting, to set October 2, 2022, and October 2, 2021, respectively, as the base date for the stock allotment. The relevant statutory registration procedures have since been completed.

(ii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2022	December 31, 2021
Premium on issuance of capital stock	\$ 12,021	12,021
Donation from shareholders	4,810	3,585
Others	<u>5,770</u>	<u>5,770</u>
	<u><u>\$ 22,601</u></u>	<u><u>21,376</u></u>

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

On August 16, 2021, a resolution was approved during the general meetings of the shareholders for the distribution of cash dividends amounting to \$148,000 thousand.

(iii) Retained earnings

In accordance with the Company's Articles of Incorporation, stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. When distributing dividends, the Company determines the stock or cash dividends to be paid. The limit of dividend distribution is maintained between 10% and 100% of current-year earnings distribution. The cash dividends shall not be below 10% of total dividends.

As the Company distributes all or part of dividends, or legal reserve, or capital with cash, the Company should hold a Board meeting to pass the resolution by more than half of the directors present at the Board meeting, which meeting requires a quorum of two thirds of all the directors present. The resolution should be submitted to the Shareholder's meeting.

1) Legal reserve

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

2) Special reserve

In accordance with the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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3) Earnings distribution

Earnings distribution for the years ended December 31, 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on June 9, 2022 and August 16, 2021, also by the boarding meeting held on March 14, 2022 and March 19, 2021, respectively, and the dividends distribution was as follows:

	For the years ended December 31			
	2021		2020	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 2.00	784,393	0.20	74,000
Shares	1.50	<u>588,295</u>	0.20	<u>74,000</u>
Total		<u>\$ 1,372,688</u>		<u>148,000</u>

The amount of cash dividends on the appropriations of earnings for the years ended December 31, 2022, had been approved during the board meeting on March 10, 2023, as follows:

	For the years ended December 31	
	2022	
	Amount per share	Total Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.60	<u>270,616</u>

(iv) Other equity items (net after tax)

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance on January 1, 2022	\$ 155,726
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(25,152)
Balance on December 31, 2022	<u>\$ 130,574</u>
Balance on January 1, 2021	\$ 150,468
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	5,258
Balance on December 31, 2021	<u>\$ 155,726</u>

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(r) Earnings per share

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

(i) Basic earnings per share

	For the years ended December 31	
	2022	2021
1) Profit attributable to ordinary shareholders of the Company	\$ 156,636	1,671,830
2) Weighted-average number of ordinary shares	451,026	451,026

(ii) Diluted earnings per share

	For the years ended December 31	
	2022	2021
1) Profit attributable to ordinary shareholders of the Company (diluted)	\$ 156,636	1,671,830
2) Weighted-average number of ordinary shares (basic)	451,026	451,026
Effect of restricted employee shares unvested	156	499
Weighted-average number of ordinary shares (diluted)	451,182	451,525

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2022	2021
Primary geographical markets:		
Taiwan	\$ 2,369,080	9,653,691
Major products/services lines:		
Sales revenue (sales of real estate)	\$ 2,353,101	9,638,471
Other revenue	15,979	15,220
	\$ 2,369,080	9,653,691
Timing of revenue recognition:		
Revenue transferred over time	\$ 15,979	14,991
Products and services transferred at a point in time	2,353,101	9,638,700
	\$ 2,369,080	9,653,691

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(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities – Sales of real estate	\$ 5,654,170	3,267,845	3,308,906
Contract liabilities – Advance receipt	285	264	5,804
Total	<u>\$ 5,654,455</u>	<u>3,268,109</u>	<u>3,314,710</u>

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability – Sales of real estate balance at the beginning of the period were \$236,221 thousand and \$1,372,307 thousand, respectively.

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2022 and 2021.

(t) Employee and directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 0.1% of the profit as employee remuneration and less than 1% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$4,000 thousand and \$27,000 thousand, respectively, and directors' remuneration amounting to \$1,500 thousand and \$10,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as specified in the Company's Articles. If there is difference between the estimated amount and actual distribution of next year, the Company recognizes it in profit and loss of the next year, as a change in accounting estimates. If a resolution is made by the meeting of Board of Directors to distribute employee remuneration by shares, the number of shares to be distributed will be calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. These remunerations were expensed under operating expenses for the years ended 2022 and 2021.

Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for the years ended 2022 and 2021.

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

(u) Non-operating income and expenses

(i) Interest income

The details of interest income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Interest income from construction refundable deposit	\$ 131	2,197
Interest income from bank deposit and bills	9,177	2,398
Others	-	933
	\$ 9,308	5,528

(ii) Other income

The details of other income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Dividend income	\$ 52,666	26,352
Rent income	9,700	8,438
	\$ 62,366	34,790

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Foreign exchange gains (losses)	\$ 931	(87)
Other income	38,114	43,716
Gain on disposals of investment properties	10,960	-
Gain on disposal of property, plant and equipment	7	-
Other expenses	(2,589)	(78)
	\$ 47,423	43,551

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

(iv) Finance costs

The details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Interest expense		
Bank loans and collateral	\$ 525,099	344,963
Guarantee fees	2,885	16,421
Interest on corporate bond	84,982	83,931
Other financial expenses	2,145	2,282
Less: capitalized interest	(458,242)	(317,522)
	\$ 156,869	130,075

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The most of account receivables of the Company are from sales of real estate department. Receivables generated from sales of real estate department are mostly from individuals, and the payments are usually completed with transferring, check, or loans from the bank, which are considered to have low credit risk and no past-due condition. Thus, the Company evaluates there is no need to recognize loss allowance provision.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-3 years	3-5 years	Over 5 years
December 31, 2022						
Non derivative financial liabilities:						
Secured bank loans	\$ 21,453,059	22,411,469	9,942,128	8,664,165	3,606,703	198,473
Unsecured bank loans	1,290,000	1,312,915	1,244,624	3,186	65,105	-
Short-term notes and bills payable	751,639	751,700	751,700	-	-	-
Ordinary corporate bonds (including current portion)	9,855,015	10,128,240	77,220	6,005,620	4,045,400	-
Notes payable, accounts payable and other payables	1,728,454	1,728,454	1,728,454	-	-	-
Lease liabilities	101,144	104,730	29,162	58,325	16,519	724
	\$ 35,179,311	36,437,508	13,773,288	14,731,296	7,733,727	199,197

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
December 31, 2021						
Non derivative financial liabilities:						
Secured bank loans	\$ 13,697,139	14,425,891	1,419,123	5,977,050	6,807,073	222,645
Unsecured bank loans	522,000	524,321	524,321	-	-	-
Short-term notes and bills payable	1,236,759	1,237,900	1,237,900	-	-	-
Ordinary corporate bonds (including current portion)	9,851,126	10,123,060	2,079,820	6,020,440	2,022,800	-
Notes payable, accounts payable and other payables	1,916,927	1,916,927	1,916,927	-	-	-
Lease liabilities	128,162	133,892	29,162	58,325	45,607	798
	<u>\$ 27,352,113</u>	<u>28,361,991</u>	<u>7,207,253</u>	<u>12,055,815</u>	<u>8,875,480</u>	<u>223,443</u>

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

(iii) Market risk

1) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Company's interest expenses would have increased / decreased by \$113,738 thousand and \$71,137 thousand, respectively, for the years ended December 31, 2022 and 2021, with all other variable factors remaining constant. Taking into account that capitalized interest of profit may decrease or increase by \$29,006 thousand and \$20,673 thousand, respectively. This is mainly due to the Company's borrowing at variable rates.

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

2) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

<u>Price of securities at reporting date</u>	For the years ended December 31			
	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 10%	\$ 58,280	-	60,796	-
Decreasing 10%	\$ (58,280)	-	(60,796)	-

(iv) Information of fair value

1) Valuation techniques for financial instruments measured at fair value

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

	December 31, 2022				
	<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 582,804	582,804	-	-	582,804
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 925,890	-	-	-	-
Notes and accounts receivable	1,339,245	-	-	-	-
Other receivables	587	-	-	-	-
Other financial assets – current	1,862,349	-	-	-	-
Other financial assets – non-current	3,567,056	-	-	-	-
Subtotal	7,695,127	-	-	-	-
Total	\$ 8,277,931	582,804	-	-	582,804

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

		December 31, 2022			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term loans	\$ 22,424,135	-	-	-	-
Short-term notes and bills payable	751,639	-	-	-	-
Notes payable, accounts payable and other payables	1,728,454	-	-	-	-
Lease liabilities	101,144	-	-	-	-
Corporate bonds payable	9,855,015	-	-	-	-
Long-term loans (including current portion)	318,924	-	-	-	-
Total	\$ 35,179,311	-	-	-	-
		December 31, 2021			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 607,956	607,956	-	-	607,956
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,438,780	-	-	-	-
Notes and accounts receivable	374,941	-	-	-	-
Other receivables	27,325	-	-	-	-
Other financial assets – current	3,100,544	-	-	-	-
Other financial assets – non-current	2,594,918	-	-	-	-
Subtotal	7,536,508	-	-	-	-
Total	\$ 8,144,464	607,956	-	-	607,956
Financial liabilities measured at amortized cost					
Short-term loans	\$ 13,874,657	-	-	-	-
Short-term notes and bills payable	1,236,759	-	-	-	-
Notes payable, accounts payable and other payables	1,916,927	-	-	-	-
Lease liabilities	128,162	-	-	-	-
Corporate bonds payable (including current portion)	9,851,126	-	-	-	-
Long-term loans (including current portion)	344,482	-	-	-	-
Total	\$ 27,352,113	-	-	-	-

RUN LONG CONSTRUCTION CO., LTD.

Notes to the Financial Statements

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Fair values and extents of financial instruments quoted in active markets are listed as follows:

i) Fair value of listed stocks and corporate bonds are determined by market prices, for they are issued with standard terms and conditions, and are quoted in active markets.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate. Structured Interest Rate Derivatives financial instruments are based on appropriate option pricing models (such as the Black – Scholes model) or other evaluation methods.

The discounted cash flow method is used to estimate the fair value. The main assumptions are considering the probability of occurrence based on the surplus before the tax, interest, depreciation and amortization to estimate the price to be paid, and are estimated as the present value after discounting, whose discount rate is adjusted based on the risk.

3) Transfers between levels

Stock held by the Company quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques for the years ended December 31, 2022 and 2021. There is no transfer between levels measured at fair value for the years ended December 31, 2022 and 2021.

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

(w) Financial risk management

(i) Overview

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

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

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Account and other receivables

The Company's credit risk is affected by its clients. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed by the masses with transferring, check, or loans form the bank.

The Company discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt impairment loss account. Allowance for bad debt impairment loss account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

RUN LONG CONSTRUCTION CO., LTD.

Notes to the Financial Statements

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. On December 31, 2022 and 2021, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

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

(x) Capital management

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

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, or issue new shares.

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

As of 2022, the Company's capital management strategy is consistent with the prior year as of 2021. The gearing ratio is maintained so as to ensure financing at reasonable cost. The Company's debt-to-equity ratio as of December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 41,200,269	31,064,991
Less: cash and cash equivalents	<u>(925,890)</u>	<u>(1,438,780)</u>
Net debt	40,274,379	29,626,211
Total Equity	<u>6,023,327</u>	<u>6,675,011</u>
Total capital and equity	<u>\$ 46,297,706</u>	<u>36,301,222</u>
Debt-to-equity ratio	<u>87%</u>	<u>82%</u>

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

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

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follows:

- (i) By the lease to get the right-of-use asset, please refer to notes 6(g).

(7) Related-party transactions:

- (a) Parent company and ultimate controlling company

On December 31, 2022 and 2021, Guang Yang Investment Co., Ltd. (Guang Yang) is the parent company of the Company and owns 6.37% and 6.13% of all shares outstanding of the Company, respectively. Chyi Yuh Construction Co., Ltd. is the parent company of Guang Yang. Highwealth Construction Corp. is the ultimate controlling party of the Company and has issued the Consolidated Financial Statements available for Public Use.

- (b) Names and relationship with related party

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Guang Yang Investment Co., Ltd.	Parent company of the Company
Chyi Yuh Construction Co., Ltd.	Parent company of Guang Yang Investment Co., Ltd.
Highwealth Construction Corp. (Highwealth)	Ultimate controlling company of the Company
Well Rich International Co., Ltd.	Same ultimate controlling company with the Company
Bo Yuan Construction Co., Ltd. (Bo Yuan)	"
Highwealth Real Estate Co., Ltd.	"
Ju Feng Hotel Management Consultant Co., Ltd. (Ju Feng)	"
Jin Jyun Construction Co., Ltd	Subsidiary Company
Da Li Investment Co., Ltd.	Same president with the Company
○○, Chen	Key management personnel of the ultimate controlling company of the Company
○○, Ye	Relatives by blood within the second degree of relationship of key management personnel of the Company
○○, Ciou	Relatives by blood within the second degree of relationship of key management personnel of the Company

RUN LONG CONSTRUCTION CO., LTD.
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(c) Significant transactions with related parties

(i) Operating revenues

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

	Revenue		Contract liabilities-sales of real estate	
	For the years ended December 31		December 31,	December 31,
	2022	2021	2022	2021
○○, Ye	\$ -	-	2,438	1,528
○○, Ciou	-	-	2,150	-
	\$ -	-	4,588	1,528

As of December 31, 2022 and 2021, the total amount of the contract of sales to the related parties are \$32,078 thousand, and \$17,088 thousand (VAT included) respectively.

The prices were based on the Company's Employee Purchase Benefit Policy, and the terms of receiving payment were not materially different from those of non-related parties.

(ii) Purchase

1) The amounts of purchases from contract construction by the Company from related parties were as follows:

	Purchase (charged)	
	For the years ended December 31	
	2022	2021
Parent company:		
Chyi Yuh	\$ 174,989	376,780
Subsidiary company:		
Jin Jyun	4,697,710	2,987,553
Other related parties	159	19,914
	\$ 4,872,858	3,384,247

There were no significant differences of the price and conditions for related parties and ordinary contract mentioned above.

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

- 2) The Company commissioned related parties to administer construction properties. Administration fees were as follows:

	Expense paid	
	For the years ended December 31	
	2022	2021
Subsidiary company : Jin Jyun	\$ 2,750	-
Parent company : Highwealth	-	4,667
Other related parties	6,548	2,398
	\$ 9,298	7,065

- (iii) Payables to related parties

The payables to related parties were as follows:

Accounted items	Categories	December 31, 2022	December 31, 2021
Accounts payable	Parent company – Chyi Yuh	\$ 55,927	153,274
"	Subsidiary company – Jin Jyun	555,304	557,514
"	Other related parties	5,288	23,565
Other payables	Other related parties	7,848	4,596
		\$ 624,367	738,949

- (iv) Guarantees

The subsidiary Jin Jyun Co., Ltd provided guarantees to the Company for bank financing. As of December 31, 2022 and 2021, the guarantees balance was \$1,000,000 thousand and \$600,000 thousand, respectively, and the amount spent was \$0 and \$450,000 thousand, respectively.

- (v) Leases

The leases between the Company and related parties were as follows:

- 1) Rent income

	Guarantee deposit		Rent income	
	For the years ended December 31		For the years ended December 31	
	December 31, 2022	December 31, 2021	2022	2021
Parent company	\$ -	-	57	57
Other related parties:				
Bo Yuan	1,378	1,378	7,902	6,749
Other related parties	-	-	41	47
	\$ 1,378	1,378	8,000	6,853

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

2) Rent expense

	<u>Refundable deposits</u>		<u>Rent expense</u>	
			<u>For the years ended December 31</u>	
	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>2022</u>	<u>2021</u>
Parent company				
– Highwealth	\$ -	-	4,677	2,906
Other related parties				
– Bo Yuan	140	140	777	940
	<u>\$ 140</u>	<u>140</u>	<u>5,454</u>	<u>3,846</u>

(vi) Others

- 1) As of December 31, 2022 and 2021, the Company's contracts with related parties for construction cooperation were as follows:

<u>Property</u>	<u>Land owner</u>			<u>Refundable deposit</u>
	<u>/Investor</u>	<u>Type</u>	<u>Portion</u>	
<u>December 31, 2022</u>				
Shr Jeng Ai Yue (Huei An Section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000 Refundable notes \$ 200,000
<u>Property</u>	<u>Land owner</u>			<u>Refundable deposit</u>
	<u>/Investor</u>	<u>Type</u>	<u>Portion</u>	
<u>December 31, 2021</u>				
Shr Jeng Ai Yue (Huei An Section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000 Refundable notes \$ 200,000

- 2) The Company received guarantee notes were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Parent company – Chyi Yuh	\$ 70,218	85,418
Subsidiary company – Jin Jyun	9,682	17,779
	<u>\$ 79,900</u>	<u>103,197</u>

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

- 3) The Company commissioned related parties to sell real estate. Related consulting fees and commission and sales expense were as follows:

	Expense paid	
	For the years ended December 31	
	2022	2021
Parent company	\$ -	105
Other related parties:		
Ju Feng	18,117	23,094
Other related parties	3,269	2,183
	\$ 21,386	25,382

- (d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2022	2021
Short-term employee benefits	\$ 19,436	46,724

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Financial assets at FVOCI— current	Bank loans	\$ 529,744	607,956
Notes receivable	Bank loans and bonds	190,830	231,552
Other financial assets	Trust account, performance bonds, bank loans and bonds	4,921,671	5,232,732
Inventories (construction)	Bank loans, short-term notes and bills payable and bonds	34,716,095	22,790,245
Investment property	Long-term borrowings, bank loans, short-term notes and bills payable and bonds	912,639	755,059
		\$ 41,270,979	29,617,544

As of December 31, 2022 and 2021, the book value of pledged assets providing undrawn guaranteed loan are \$282,171 thousand and \$65,752 thousand, respectively. As of December 31, 2022 and 2021, the Company provided notes receivable of presale cases \$2,215,071 thousand and \$1,536,234 thousand, as collateral for the bank loans, respectively.

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

- (i) Amount of signed contract and received amount from contracts for construction released, for properties sold in advance and sold after completion were as follows:

	December 31, 2022	December 31, 2021
Amounts of signed contracts	<u>\$ 47,726,441</u>	<u>32,748,085</u>
Received amount from contracts	<u>\$ 5,654,170</u>	<u>3,267,845</u>
Outstanding checks received from presale cases	<u>\$ 2,543,260</u>	<u>2,159,217</u>

- (ii) As of December 31, 2022 and 2021, the refundable deposits paid, through cooperation with the land owners, amounted both were \$425,000 thousand; the refundable notes submitted amounts both were \$220,000 thousand.
- (iii) As of December 31, 2022 and 2021, the contract price of administer services the Company provided to joint investors both were \$14,286 thousand, the amounts received both were \$11,429 thousand.
- (iv) Unrecognized commitments generated by signing contracts for purchasing inventories were as follows:

	December 31, 2022	December 31, 2021
Acquisition of inventory (construction)	<u>\$ -</u>	<u>2,768,959</u>

(10) Losses due to major disasters:None

(11) Subsequent events:None

RUN LONG CONSTRUCTION CO., LTD.
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(12) Other:

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

By item	By function	For the years ended December 31					
		2022			2021		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		1,181	71,016	72,197	2,266	112,526	114,792
Labor and health insurance		137	8,368	8,505	233	7,990	8,223
Pension		70	3,236	3,306	117	3,095	3,212
Remuneration of directors		-	4,380	4,380	-	12,280	12,280
Others		180	9,225	9,405	289	8,771	9,060
Depreciation		9,442	34,603	44,045	6,626	34,124	40,750
Amortization		-	1,798	1,798	-	1,661	1,661

For the year ended December 31, 2022 and 2021, the information on the number of employees and employee benefit expense of the Company is as follows:

	For the years ended December 31	
	2022	2021
Number of employees	<u>99</u>	<u>100</u>
Number of directors who were not employees	<u>5</u>	<u>4</u>
The average employee benefit	<u>\$ 994</u>	<u>1,409</u>
The average employee salary	<u>\$ 768</u>	<u>1,196</u>
Percentage of average employee salary expense	<u>(35.79)%</u>	<u>60.97 %</u>
Remuneration to supervisors	<u>\$ -</u>	<u>-</u>

The item of the Company's salary and remuneration about directors, independent director, managers, and employees are as follows:

(i) independent directors

- 1) Regardless of the Company's profit or loss, independent directors' salary and remuneration need to be paid in monthly basis (or quarterly, half yearly) and be adjusted according to the value of his/her participation in the contribution to Company's operation.
- 2) The independent directors cannot participate in the distribution of director's compensation and other bonus distribution.

RUN LONG CONSTRUCTION CO., LTD.

Notes to the Financial Statements

(ii) Other directors

- 1) The Company pays other directors' remuneration, according to the value of his/her participation in the contribution to Company's operation and refer to peer remuneration levels.
- 2) Other directors' remuneration is allocated at a rate specified in the Company's articles of incorporation.
- 3) According to the needs of the actual execution of the business, the Company has to pay for the traffic allowance.

(iii) Managerial officer

- 1) The monthly fixed salary is determined by salary level of each rank.
- 2) According to the result of the operation performance assessment, the Company distributes the performance bonus.
- 3) Year-end bonuses will be issued based on the results of employee performance appraisal.
- 4) Employees' remuneration is allocated at a rate specified in the Company's articles of incorporation.
- 5) Traffic allowance and supervisor allowance are paid in accordance to duties and standards.

(iv) Other employees:

The salary of the Company's employees is handled in accordance with the regulations of the "post ranks table" and "post salary benchmark table". The employee salary is divided into recurring and non-recurring salaries.

- 1) Recurring salaries include basic salaries, duties allowance, construction site allowance, professional allowance, meal allowance and other allowance.
- 2) Non-recurring salaries include overtime pay, Dragon Boat festival bonus, Mid-Autumn Festival bonus and year-end bonus.

(b) Other

Regarding the fraud allegations against TSAI, TSUNG-PIN, the chairman of the Company, in connection with the Kuobin Dayuan case, the Taipei District Prosecutors Office decided not to prosecute TSAI, TSUNG-PIN and others on December 21, 2016. However, after the plaintiff requested a review and the Taiwan High Prosecutors Office revoked the non-prosecution decision, the prosecutor filed charges of ordinary fraud against TSAI, TSUNG-PIN on January 5, 2023. The case is now being tried by the Taipei District Court, and the Company assesses that the aforementioned event has no significant impact on the financial operations of the Company.

RUN LONG CONSTRUCTION CO., LTD.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties:

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	Jin Jyun Construction Co., Ltd.	The company	3	1,204,665	1,000,000	1,000,000	-	1,000,000	16.60 %	3,011,664	N	Y	N

Note 1: The numbering is as follows:

- 1) “0” represents the company
- 2) Investees are sequentially numbered from 1 by company

Note 2: The relationship between the guarantee and the guarantor are as follows:

- 1) Transactions between the companies.
- 2) The Company directly or indirectly holds more than 50% voting right.
- 3) When other companies directly or indirectly hold more than 50% voting rights of the Company.
- 4) The Company directly or indirectly holds more than 90% voting right.
- 5) A company that is mutually protected under contractual requirements based on the needs of the contractor.
- 6) A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
- 7) Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

Note 3: The Company endorsed the operation method for the total amount of guarantees and the limit for endorsement of a single enterprise:

- 1) The aggregate amount of endorsements and guarantees endorsed by the company and its subsidiaries shall not exceed 50% of the net value of the Company.
- 2) The aggregate amount of endorsements and guarantees endorsed by the company and its subsidiaries for a single enterprise shall not exceed 20% of the net value of the Company.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock- Highwealth Construction Corp.	Ultimate parent controlling of the Company	Financial assets at fair value through other comprehensive income- current	14,461,638	582,804	0.84 %	582,804	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

RUN LONG CONSTRUCTION CO., LTD.
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- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chyi Yuh Construction Co., Ltd.	Parent company of the Company	Contracting project	174,989	1.83%		-		(55,927)	(5.05)%	Note 2
The Company	Jin Jyun Construction Co., Ltd.	Subsidiary of the Company	Contracting project management fee	4,700,460	49.10%		-		(555,304)	(50.18)%	Note 2
Jin Jyun Construction Co., Ltd.	The Company	Parent company	Contracted project management responsibility	(4,906,282)	(97.68)%		-		555,304	96.89%	Note 1

Note 1: The contracted company recognizes its construction revenue through percentage of completion method, and the amount of sales included.

Note 2: The contracting company records its import price through estimates of amount of purchase through number of trials.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Jin Jyun Construction Co., Ltd.	The Company	Parent company	555,304	8.82	-	-	438,327	-

- (ix) Trading in derivative instruments: None.

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
Run Long Construction Co., Ltd.	Stock- Jin Jyun Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	718,300	518,300	70,000,000	100.00 %	580,477	103,845	(49,802)	

- (c) Information on investment in mainland China: None.

RUN LONG CONSTRUCTION CO., LTD.

Notes to the Financial Statements

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Ching Shr Ban Investment Co., Ltd.		44,419,740	9.84 %
Shing Ri Sheng Investment Co., Ltd.		33,074,642	7.33 %
Ruen Ying Investment Co., Ltd.		33,058,302	7.32 %
Guang Yang Investment Co., Ltd.		28,759,103	6.37 %
Highwealth Construction Corp.		27,289,288	6.05 %
Wan Sheng Fa Investment Co., Ltd.		26,103,040	5.78 %
Feng Rau Investment Co., Ltd.		24,426,382	5.41 %
Chyi Yuh Construction Co., Ltd.		23,095,755	5.12 %

(14) Segment information:

Please refer to the consolidated financial statements.

RUN LONG CONSTRUCTION CO., LTD.



潤隆建設股份有限公司

Chairperson: Chiu, Ping-Tse



This annual report is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.