

**RUN LONG CONSTRUCTION CO., LTD. AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

Address: 8F., No. 267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan  
(R.O.C.)

Telephone: (02)8501-5696

The independent 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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	10~26
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	26~27
(6) Explanation of significant accounts	28~52
(7) Related-party transactions	52~57
(8) Pledged assets	57
(9) Commitments and contingencies	58
(10) Losses due to major disasters	59
(11) Subsequent events	59
(12) Other	59
(13) Other disclosures	
(a) Information on significant transactions	60~62
(b) Information on investees	62
(c) Information on investment in mainland China	62
(d) Major shareholders	62
(14) Segment information	63

## Representation Letter

The entities that are required to be included in the combined financial statements of Run Long Construction Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Run Long Construction Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Run Long Construction Co., Ltd.

Chairman: TSAI, TSUNG-PIN

Date: March 14, 2022



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web home.kpmg/tw

## 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, 2021 and 2020, 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, 2021 and 2020, 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 (“IFRS”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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(o), and 6(t) 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 \$9,638,471 thousand in 2021, 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. Construction contracts

Please refer to note 4(o), 5, and 6(t) of the consolidated financial statements for the accounting policies on revenue recognition, assumption used, and uncertainties considered in determining the total estimated costs, and revenue recognized from contracts.

#### Description of key audit matter

The Group is into industry of civil engineering and building construction contractors. The Group's sales revenue from these contracts was \$825,576 thousand in 2021, the revenue constituted 8% of the consolidated revenue. Revenues and costs of construction contracts are recognized and evaluated according to IFRS15. Management judgment and estimation may be involved in determining total revenue, total estimated cost, and the extent of completion. Therefore, the recognition of revenue and cost of construction contracts 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 internal controls system of engineering revenue, receivable collection, contracting out and purchasing, payments and budgeting, which are relevant to financial report; compare and evaluate whether there is significant exception of change in total revenue, total estimated cost and the extent of completion; We obtain the revenue and cost the business estimated, review the completion and rationality in total contract price, budget, and accumulated involvement, to assess whether there is significant exception in contract revenue and cost that the business recognized.

### 3. 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, 2021, inventory of the Group valued \$27,246,899 thousand, constituting 69% of the consolidated 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, 2021 and 2020, 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 are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, 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 Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2022

#### **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, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

		<b>December 31, 2021</b>		<b>December 31, 2020</b>				<b>December 31, 2021</b>		<b>December 31, 2020</b>			
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		
<b>Current assets:</b>								<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 2,178,382	6	2,109,643	6	2100	Short-term borrowings (note 6(j))	\$ 14,074,657	36	11,936,172	32		
1120	Current financial assets at fair value through other comprehensive income (notes 6(b) and 8)	607,956	2	602,698	2	2110	Short-term notes and bills payable (note 6(j))	1,236,759	3	2,758,113	8		
1140	Current contract assets (note 6(t))	34,959	-	114,388	-	2130	Current contract liabilities (notes 6 (t) and 9)	3,268,109	8	3,365,105	9		
1150	Notes receivable, net (note 6(c) and 8)	363,485	1	160,692	-	2150	Notes payable	3,720	-	71	-		
1170	Accounts receivable, net (note 6(c))	121,145	-	113,103	-	2170	Accounts payable	2,304,761	6	1,616,669	5		
1180	Accounts receivable due from related parties, net (notes 6(c) and 7)	96,679	-	197,249	1	2180	Accounts payable to related parties (note 7)	181,778	1	562,306	2		
1200	Other receivables	27,340	-	1,594	-	2200	Other payables (note 7)	748,292	2	342,077	1		
1210	Other receivables due from related parties (note 7)	-	-	47,457	-	2230	Current tax liabilities (note 6(q))	332,883	1	98,983	-		
1220	Current tax assets	-	-	4,869	-	2250	Current provisions (notes 6(n) and (p))	46,791	-	21,262	-		
1310	Inventories, manufacturing business, net (note 6(d))	-	-	10,598	-	2280	Current lease liabilities (note 6(m))	29,149	-	8,827	-		
1320	Inventories (for construction business) (notes 6(d), 7 and 8)	27,246,899	69	24,811,953	67	2321	Bonds payable, current portion or putable bonds (note 6(l))	1,989,327	5	1,481,281	4		
1410	Prepayments	269,153	1	248,904	1	2322	Long-term borrowings, current portion (note 6(k))	25,944	-	1,018,091	3		
1461	Non-current assets held for sale (notes 6(e) and 8)	-	-	1,187,386	3	2399	Other current liabilities, others	<u>125,636</u>	-	<u>318,466</u>	<u>1</u>		
1476	Other current financial assets (notes 6(i), 7 and 8)	3,600,921	9	2,799,983	8			<u>24,367,806</u>	<u>62</u>	<u>23,527,423</u>	<u>65</u>		
1479	Other current assets, others	48,771	-	56,616	-								
1480	Current assets recognized as incremental costs to obtain contract with customers (note 6(i))	<u>934,204</u>	<u>2</u>	<u>410,475</u>	<u>1</u>	2530	Bonds payable (note 6(l))	7,861,799	20	7,851,491	21		
		<u>35,529,894</u>	<u>90</u>	<u>32,877,608</u>	<u>89</u>	2541	Long-term borrowings (note 6(k))	318,538	1	344,482	1		
	<b>Non-current assets:</b>							2570	Deferred tax liabilities (note 6(q))	2,844	-	2,844	-
1600	Property, plant and equipment (notes 6(f) and 8)	237,243	1	243,860	1	2580	Non-current lease liabilities (note 6(m))	<u>99,013</u>	-	<u>814</u>	-		
1755	Right-of-use assets (note 6(g))	129,364	-	12,173	-			<u>8,282,194</u>	<u>21</u>	<u>8,199,631</u>	<u>22</u>		
1760	Investment property, net (notes 6(h) and 8)	755,059	2	681,434	2		<b>Total liabilities</b>	<u>32,650,000</u>	<u>83</u>	<u>31,727,054</u>	<u>87</u>		
1780	Intangible assets	14,380	-	15,051	-		<b>Equity (note 6(r)):</b>						
1840	Deferred tax assets (note 6(q))	8,639	-	3,555	-	3110	Ordinary share	3,921,966	10	3,699,966	10		
1915	Prepayments for business facilities	-	-	58,424	-	3200	Capital surplus	21,376	-	168,389	-		
1984	Other non-current financial assets, others (note 6(i) and 8)	2,595,296	7	2,905,885	8	3300	Retained earnings	2,575,943	7	1,052,113	3		
1990	Other non-current assets, others	<u>55,136</u>	-	<u>-</u>	-	3400	Other equity interest	<u>155,726</u>	-	<u>150,468</u>	-		
		<u>3,795,117</u>	<u>10</u>	<u>3,920,382</u>	<u>11</u>		<b>Total equity</b>	6,675,011	17	5,070,936	13		
	<b>Total assets</b>	<u>\$ <u>39,325,011</u></u>	<u><u>100</u></u>	<u><u>36,797,990</u></u>	<u><u>100</u></u>		<b>Total liabilities and equity</b>	<u>\$ <u>39,325,011</u></u>	<u><u>100</u></u>	<u><u>36,797,990</u></u>	<u><u>100</u></u>		

See accompanying notes to consolidated financial statements.



(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, 2021 and 2020

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

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Operating Revenues (notes 6(o), (t) and 7):</b>					
4511	Construction revenue	\$ 9,638,471	92	3,930,087	51
4521	Engineering service revenue	825,576	8	3,711,639	49
4800	Other operating revenue	<u>15,220</u>	-	<u>14,510</u>	-
		<u>10,479,267</u>	<u>100</u>	<u>7,656,236</u>	<u>100</u>
5000	<b>Operating costs (notes 6(u) and 7)</b>	<u>7,740,794</u>	<u>74</u>	<u>6,639,308</u>	<u>87</u>
	<b>Gross profit from operations</b>	<u>2,738,473</u>	<u>26</u>	<u>1,016,928</u>	<u>13</u>
<b>Operating expenses:</b>					
6100	Selling expenses (notes 6(i) 、(u) and 7)	340,109	3	347,003	5
6200	Administrative expenses (note 6(u))	<u>308,317</u>	<u>3</u>	<u>265,471</u>	<u>3</u>
		<u>648,426</u>	<u>6</u>	<u>612,474</u>	<u>8</u>
	<b>Operating income</b>	<u>2,090,047</u>	<u>20</u>	<u>404,454</u>	<u>5</u>
<b>Non-operating income and expenses (note 6(v) and 7):</b>					
7100	Interest income	5,892	-	11,278	-
7010	Other income	34,948	-	31,774	-
7020	Other gains and losses	59,801	1	(91,353)	(1)
7050	Finance costs	<u>(130,487)</u>	<u>(1)</u>	<u>(146,123)</u>	<u>(2)</u>
		<u>(29,846)</u>	<u>-</u>	<u>(194,424)</u>	<u>(3)</u>
	<b>Profit from continuing operations before tax</b>	2,060,201	20	210,030	2
7950	<b>Less: Income tax expenses (note 6(q))</b>	<u>388,371</u>	<u>4</u>	<u>92,782</u>	<u>1</u>
	<b>Profit</b>	<u>1,671,830</u>	<u>16</u>	<u>117,248</u>	<u>1</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	<u>5,258</u>	-	<u>49,668</u>	<u>1</u>
8300	<b>Other comprehensive income (net after tax)</b>	<u>5,258</u>	-	<u>49,668</u>	<u>1</u>
8500	<b>Total comprehensive income</b>	<u>\$ 1,677,088</u>	<u>16</u>	<u>166,916</u>	<u>2</u>
<b>Earnings per share (note 6(s))</b>					
9750	Basic earnings per share (NT dollars)	<u>\$ 4.26</u>		<u>0.30</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 4.26</u>		<u>0.30</u>	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2021 and 2020**  
**(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		
<b>Balance on January 1, 2020</b>	\$ 3,083,305	779,297	823,949	727,323	1,551,272	101,054	5,514,928
Profit	-	-	-	117,248	117,248	-	117,248
Other comprehensive income	-	-	-	-	-	49,668	49,668
Total comprehensive income	-	-	-	117,248	117,248	49,668	166,916
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	65,576	(65,576)	-	-	-
Cash dividends of ordinary share	-	-	-	(308,330)	(308,330)	-	(308,330)
Stock dividends of ordinary share	308,331	-	-	(308,331)	(308,331)	-	-
Cash dividends from capital surplus	-	(308,331)	-	-	-	-	(308,331)
Stock dividends from capital surplus	308,330	(308,330)	-	-	-	-	-
Due to donated assets received	-	73	-	-	-	-	73
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	254	254	(254)	-
Other changes in capital surplus	-	5,680	-	-	-	-	5,680
Balance on December 31, 2020	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
<b>Balance on December 31, 2021</b>	<b>\$ 3,921,966</b>	<b>21,376</b>	<b>901,275</b>	<b>1,674,668</b>	<b>2,575,943</b>	<b>155,726</b>	<b>6,675,011</b>

See accompanying notes to consolidated financial statements.

(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, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 2,060,201	210,030
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	42,202	19,475
Amortization	3,005	3,045
Net loss on financial assets or liabilities at fair value through profit or loss	-	62
Interest expense	130,487	146,123
Interest income	(5,892)	(11,278)
Dividend income	(26,352)	(23,900)
Gain on disposal of property, plant and equipment	-	(1,944)
Impairment loss on disposal of non-current assets held for sale	-	165,479
Gain on lease modifications	(76)	(142)
<b>Total adjustments to reconcile profit (loss)</b>	143,374	296,920
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets at fair value through profit or loss	-	146,207
Decrease (increase) in contract assets	79,429	(58,341)
Increase in notes receivable	(202,793)	(30,872)
Decrease (increase) in accounts receivable	(8,042)	163,821
Decrease in accounts receivable due from related parties	100,570	210,181
Increase in other receivables	(25,920)	(198)
Decrease (increase) in other receivables due from related parties	47,457	(45,420)
Decrease in inventories	10,598	487
Increase in inventories (construction)	(2,188,514)	(5,659,393)
Increase in prepayments	(1,993)	(135,860)
Decrease in other current assets	66,283	50,735
Increase in other financial assets- current	(200,085)	(1,315,124)
Increase in assets recognized as incremental costs to obtain contract with customers	(523,729)	(193,415)
Increase in other financial assets—non-current	(3,662)	(822)
Increase in contract liabilities	205,668	1,288,602
Increase in notes payable	3,649	71
Increase in accounts payable	688,092	330,937
Increase (decrease) in accounts payable to related parties	(380,528)	210,490
Increase in other payables	404,171	45,515
Increase in provisions	25,529	12,697
Increase (decrease) in other current liabilities	(192,830)	226,290
<b>Total adjustments</b>	(1,953,276)	(4,456,492)
Cash inflow (outflow) generated from operations	106,925	(4,246,462)
Income taxes paid	(154,686)	(22,490)
<b>Net cash flows used in operating activities</b>	(47,761)	(4,268,952)

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

**Consolidated Statements of Cash Flows (CONT'D)**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(10,523)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	10,777
Proceeds from disposal of non-current assets classified as held for sale	884,722	302,664
Acquisition of property, plant and equipment	(1,755)	(10,145)
Proceeds from disposal of property, plant and equipment	-	4,290
Acquisition of intangible assets	(2,334)	(2,369)
Increase in other non-current assets	(64,291)	-
Increase in prepayments for business facilities	-	(58,424)
Interest received	3,867	8,944
Dividends received	26,352	23,900
<b>Net cash flows from investing activities</b>	846,561	269,114
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	8,813,283	8,200,610
Decrease in short-term borrowings	(6,674,700)	(4,712,910)
Increase in short-term notes and bills payable	13,671,400	10,638,000
Decrease in short-term notes and bills payable	(15,193,500)	(8,440,000)
Proceeds from issuing bonds	2,000,000	-
Repayments of bonds	(1,500,000)	-
Repayments of long-term borrowings	(1,018,091)	(58,762)
Payment of lease liabilities	(26,092)	(444)
Other financial assets—current	697,517	-
Other financial assets—non-current	(981,920)	(566,164)
Cash dividends paid	(74,000)	(616,661)
Interest paid	(443,958)	(431,968)
<b>Net cash flows from (used in) financing activities</b>	(730,061)	4,011,701
<b>Net increase in cash and cash equivalents</b>	68,739	11,863
<b>Cash and cash equivalents at beginning of period</b>	2,109,643	2,097,780
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,178,382</b>	<b>2,109,643</b>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

**(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, 2021 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 14, 2022.

**(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. (“FSC”) 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, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

(Continued)

**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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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”
- 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”

**(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”).

(Continued)

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

(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 profit or loss are measured at fair value;
- 2) 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.

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, 2021	December 31, 2020	
The Company Co., Ltd.	Jin Jyun Construction	Construction industry, residence and building lease construction	100.00 %	100.00 %	

(Continued)

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

(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.

(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.

(Continued)



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

(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.

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.

(Continued)

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

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) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) 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.

5) 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.

(Continued)

**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.

6) 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.

(Continued)

**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) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

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

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

(Continued)

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

5) Derecognition of financial liabilities

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

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.

6) Offsetting of financial assets and liabilities

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

(g) Inventory

(i) Manufacturer Industries

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ii) Construction industry

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 value are as follows:

1) 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).

(Continued)

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

2) Construction in progress

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

3) 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) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) 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.

(j) 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.

(Continued)

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

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.

(k) 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.

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.

(Continued)



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

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.

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.

(Continued)



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

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 'other income'.

(l) 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.

(Continued)

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

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.

(m) 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.

(Continued)

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

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.

(n) 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.

(i) 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.

(o) 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. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of 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.

(Continued)

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

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 does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the 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.

(Continued)

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

(p) 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.

(q) 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.

(Continued)

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

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

- (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.

(r) Earnings per share

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

(s) 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 preparing 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.

(Continued)

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

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) Estimation of total revenue and cost of construction contracts

The Group recognizes revenue and cost on the basis of the extent of progress toward completion, which is estimated by the construction costs incurred to date as a proportion of the total estimated costs of the contract. The Group considers the extent of construction, estimated construction period, construction items, processes of construction, and estimated amount to contract out, to estimate total contract cost. Any change to above mentioned estimation basis may result in significant adjustments to total estimated construct cost.

(b) 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(n) Investment property.
- (b) Note 6(w) Financial instruments.

(Continued)



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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 569	684
Demand Deposits (including foreign currency)	2,177,469	2,108,614
Check Deposits	<u>344</u>	<u>345</u>
Cash and cash equivalents	<u>\$ 2,178,382</u>	<u>2,109,643</u>

Please refer to note 6(w) 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic market	<u>\$ 607,956</u>	<u>602,698</u>

(i) Equity investments at fair value through other comprehensive income

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, 2021 and 2020, the dividends of \$26,352 thousand and \$23,900 thousand, respectively, related to equity investments at fair value through other comprehensive income, were recognized;

In 2020, the Group has sold its equity investments at fair value through other comprehensive income. The investments sold had a fair value of \$10,777 thousand and the Group realized a gain of \$254 thousand.

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, 2021 and 2020.

(ii) For credit risk and market risk, please refer to note 6(w).

(iii) The financial assets at fair value through other comprehensive income of the Group had been pledged as collateral, please refer to note 8.

(Continued)



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

(c) Note and account receivables, net (including related parties)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Note receivable	\$ 363,485	160,692
Trade receivables—measured as amortized cost	<u>217,824</u>	<u>310,352</u>
Total	<u>\$ 581,309</u>	<u>471,044</u>

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

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance Provision</u>
Current	<u>\$ 581,309</u>	-	<u>-</u>
	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance Provision</u>
Current	<u>\$ 471,044</u>	-	<u>-</u>

For the years ended December 31, 2021 and 2020, there are no expected credit losses recognized or reversed.

As of December 31, 2021 and 2020, note receivables had been pledged as collateral; please refer to note 8.

(d) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Manufacturer industry:		
Spare parts	\$ -	<u>10,598</u>
Construction industry:		
Prepaid for land purchase	278,063	310,679
Land held for construction sites	2,479,866	762,128
Construction in progress	22,674,681	20,035,513
Properties and land held for sale	<u>1,814,289</u>	<u>3,703,633</u>
Subtotal	<u>27,246,899</u>	<u>24,811,953</u>
Total	<u>\$ 27,246,899</u>	<u>24,822,551</u>

(Continued)

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

For the year ended December 31, 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(h).

For the years ended December 31, 2021 and 2020, there is no write-offs or reversals of inventories.

For the years ended December 31, 2021 and 2020, construction in progress of the Group is calculated using a capitalization rate 1.82% and 1.85%, respectively. For the amount of capitalized interest, please refer to note 6(v).

As of December 31, 2021 and 2020 the inventories of the Group had been pledged as collateral, please refer to note 8.

(e) Non-current assets held for sale

The Group leased back its land and buildings in ChinTai section, Zhongshan district based on the resolution made during the board meeting on December 24, 2020. The selling price was \$1,221,710 thousand (VAT included), and the disposal of land and buildings were on the progress. Consequently, the land and buildings were classified as non-current assets held for sale. Impairment loss resulting from measuring at the lower of carrying amount of the property plant and equipment and fair value to sell was \$165,479 thousand. The loss was presented as other operating income and loss in statements of comprehensive income, please refer to note 6(v). As of December 31, 2021, the amount of the non-current asset held for sale was \$1,187,386 thousand. The land and buildings have been sold and leased back in January 2021 and the relevant payment have been fully received.

As of December 31, 2020, the non-current assets held for sale of the Group had been pledged as collateral, please refer to note 8.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	<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, 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>
Balance on January 1, 2020	\$ 1,335,587	330,660	-	44,040	1,710,287
Additions	-	5,306	1,699	3,140	10,145
Disposals	-	-	-	(28,914)	(28,914)
Reclassification to non-current assets held for sale	(1,121,704)	(256,649)	-	-	(1,378,353)
Transfer to (from)	-	(29,689)	-	29,689	-
Balance on December 31, 2020	<u>\$ 213,883</u>	<u>49,628</u>	<u>1,699</u>	<u>47,955</u>	<u>313,165</u>

(Continued)

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

	<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>
Depreciation and Impairment:					
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>
Balance on January 1, 2020	\$ 3,849	69,487	-	35,419	108,755
Depreciation	571	9,277	177	2,581	12,606
Disposals	-	-	-	(26,568)	(26,568)
Reclassification to non-current assets held for sale	-	(25,488)	-	-	(25,488)
Transfer to (from)	-	(11,102)	-	11,102	-
Balance on December 31, 2020	<u>\$ 4,420</u>	<u>42,174</u>	<u>177</u>	<u>22,534</u>	<u>69,305</u>
Carrying amounts:					
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>
Balance on December 31, 2020	<u>\$ 209,463</u>	<u>7,454</u>	<u>1,522</u>	<u>25,421</u>	<u>243,860</u>

- (i) In order to manage activating strategies of assets and obtain the maximum effectiveness, the Group transferred the sold assets to the non-current assets held for sale in December, 2020. Please refer to note 6(e) for details. Please refer to note 6(v) for related gain or loss of disposal.
- (ii) As of December 31 2020, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings, please refer to note 8.

(g) 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>
<b>Cost:</b>			
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>
Balance on January 1, 2020	\$ 8,547	-	8,547
Additions	8,581	-	8,581
Lease modification	(4,681)	-	(4,681)
Balance on December 31, 2020	<u>\$ 12,447</u>	<u>-</u>	<u>12,447</u>

(Continued)

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>Depreciation and impairment losses:</b>			
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>
Balance on January 1, 2020	\$ 1,845	-	1,845
Depreciation	642	-	642
Lease modification	(2,213)	-	(2,213)
Balance on December 31, 2020	<u>\$ 274</u>	<u>-</u>	<u>274</u>
Carrying amounts:			
Balance on December 31, 2021	<u>\$ 3,125</u>	<u>126,239</u>	<u>129,364</u>
Balance on December 31, 2020	<u>\$ 12,173</u>	<u>-</u>	<u>12,173</u>

(h) Investment Property

The information of investment properties of the Group were as follows:

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
Cost:			
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>773,476</u>
Balance on January 1, 2020	\$ 375,656	317,575	693,231
Balance on December 31, 2020	<u>\$ 375,656</u>	<u>317,575</u>	<u>693,231</u>
Depreciation and Impairment:			
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>18,417</u>
Balance on January 1, 2020	\$ -	5,570	5,570
Depreciation	-	6,227	6,227
Balance on December 31, 2020	<u>\$ -</u>	<u>11,797</u>	<u>11,797</u>

(Continued)

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

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
Carrying amounts:			
Balance on December 31, 2021	\$ <u>423,691</u>	<u>331,368</u>	<u>755,059</u>
Balance on December 31, 2020	\$ <u>375,656</u>	<u>305,778</u>	<u>681,434</u>
Fair value:			
Balance on December 31, 2021			\$ <u>940,387</u>
Balance on December 31, 2020			\$ <u>837,250</u>

The investment property includes several commercial buildings for that are owned by the Group for renting to the third party. Please refer to note 6(o) 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, 2021 and 2020, the Group'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, 2021</u>	<u>December 31, 2020</u>
Other current and non-current financial assets	\$ 6,196,217	5,705,868
Current incremental costs of obtaining a contract	<u>934,204</u>	<u>410,475</u>
Total	<u>\$ 7,130,421</u>	<u>6,116,343</u>

(i) Other financial assets

Other financial assets include certificate of deposit as collateral, trust account for presale of properties, reserve account for borrowing, endorsement and performance 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, 2021 and 2020, the Group recognized \$193,621 thousand and \$120,387 thousand of selling expense.

(Continued)

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

(j) Short-term borrowings, notes and bills payable

The details of short-term borrowings, notes and bills payable of the Group were as follows:

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
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><u>\$ 15,311,416</u></u>

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.72%~2.14%	2021~2025	\$ 10,605,172
Unsecured bank loans	TWD	1.23%	2021	1,331,000
Short-term notes and bills payable	TWD	0.41%~1.82%	2021	<u>2,758,113</u>
Total				<u><u>\$ 14,694,285</u></u>

(i) The issue of bank loan and repayment

For the years ended December 31, 2021 and 2020, the incremental amounts were \$22,484,683 thousand and \$18,838,610 thousand, respectively; the repayment amounts were \$21,868,200 thousand and \$13,152,910 thousand, respectively.

(ii) Collateral for bank Loans

The Group had pledged as collateral for bank loans, please refer to note 8.

(k) Long-term borrowings/Long-term borrowings, current portion

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

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.54%	2034	\$ 344,482
Less: current portion				<u>(25,944)</u>
Total				<u><u>\$ 318,538</u></u>

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.44%	2034~2035	\$ 1,362,573
Less: current portion				<u>(1,018,091)</u>
Total				<u><u>\$ 344,482</u></u>

(Continued)

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

(i) The issue of bank loan and repayment

For the years ended December 31, 2021 and 2020, the incremental amounts both were \$0 thousand; the repayment amounts were \$1,018,091 thousand and \$58,762 thousand, respectively.

(ii) Collateral for bank Loans

The Group had pledged as collateral for bank loans, please refer to note 8.

(l) Bonds payable/ Bounds payable current portion or puttable bonds

The details of the Group's bonds payable were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Secured ordinary corporate bond – current	\$ 1,989,327	1,481,281
Secured ordinary corporate bond – non-current	7,861,799	7,851,491
Total	<b>\$ 9,851,126</b>	<b>9,332,772</b>

(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 0.57%, in November 2021. The Group did not issue, redeem or repay the above corporate bond for the year ended December 31, 2020.

(ii) The Group issued a secured ordinary corporate bond amounting to \$5,900,000 thousand, \$1,500,000 thousand, and \$2,000,000 thousand with an interest rate of 0.78%~0.85%, 0.96%, and 0.98% in 2019, December 2016, 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.

(m) Lease liabilities

The carrying amount of lease liabilities were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	\$ 29,149	8,827
Non-current	\$ 99,013	814

For the maturity analysis, please refer to note 6(w).

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	\$ 2,282	33
Expenses relating to short-term leases	\$ 19,389	27,688

(Continued)

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

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

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<b>\$ 47,763</b>	<b>28,165</b>

(i) Real estate lease

In January 2021 the Group sold and leased back its office buildings and leased land for the construction of its reception center and parking lot. The leases run for a period of 2-20 years. The Group also leases out its office equipment and outdoor advertising. These leases are short-term and of low-value items. The Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(n) Provisions

	<b>Warranty</b>
Balance on January 1, 2021	\$ 17,778
Provisions made during the year	25,419
Balance on December 31, 2021	<b>\$ 43,197</b>
Balance on January 1, 2020	\$ 4,290
Provisions used at current period	13,488
Balance on December 31, 2020	<b>\$ 17,778</b>

For the years ended December 31, 2021 and 2020, 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.

(o) 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(h) 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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Less than one year	\$ 16,271	15,431
One to two years	16,031	15,585
Two to three years	9,358	15,345
Three to four years	6,261	8,672
Four to five years	514	5,576
Total undiscounted lease payments	<b>\$ 48,435</b>	<b>60,609</b>

(Continued)



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

For the years ended December 31, 2021 and 2020, the Group's rental income from investment properties were \$14,991 thousand and \$14,510 thousand, respectively.

(p) Employee benefits

(i) Defined benefit plans

The Group's employee benefit liabilities were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Short-term paid leave liability	<u>\$ 3,594</u>	<u>3,484</u>

(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 \$8,780 thousand and \$9,816 thousand for the years ended December 31, 2021 and 2020, respectively.

(q) Income tax

(i) The components of income tax expenses for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax expense		
Current period	\$ 352,214	107,156
Land value increment tax	40,167	2,480
Adjustment for prior periods	<u>1,074</u>	<u>(14,157)</u>
	<u>393,455</u>	<u>95,479</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(5,084)</u>	<u>(2,697)</u>
Income tax expense	<u>\$ 388,371</u>	<u>92,782</u>

(Continued)

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

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2021 and 2020 are as follows:

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax	\$ 2,060,201	210,030
Income tax expense at domestic statutory tax rate	412,040	42,006
Book –tax difference between deferred interest expense	(14,629)	(6,982)
Land tax exempt income	31,987	2,890
Book –tax difference between deferred sales commission	(18,712)	25,187
Adjustment for prior periods	1,074	(14,157)
Financial assets measured at fair value through profit and loss	-	12
Book-Tax difference between deferred impairment loss	(33,096)	33,096
Land value increment tax	40,167	2,480
Dividend income	(5,270)	(4,780)
Others	(25,190)	13,030
	<b>\$ 388,371</b>	<b>92,782</b>

(ii) Recognized deferred tax asset and liability

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	<u>Warranty</u>
<u>Deferred tax asset:</u>	
Balance on January 1, 2021	\$ 3,555
Credit income statement	5,084
Balance on December 31, 2021	<b>\$ 8,639</b>
Balance on January 1, 2020	\$ 858
Debit income statement	2,697
Balance on December 31, 2020	<b>\$ 3,555</b>
	<u>Provision for land value increment tax</u>
<u>Deferred tax liabilities:</u>	
Balance on January 1, 2021	\$ 2,844
Balance on December 31, 2021	<b>\$ 2,844</b>
Balance on January 1, 2020	\$ 2,844
Balance on December 31, 2020	<b>\$ 2,844</b>

(Continued)

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

(iii) Assessment of tax

The Company's income tax had been examined by the tax authorities till the year 2019.

(r) Capital and other equity

As of December 31, 2021 and 2020, the total value of authorized ordinary shares were \$5,000,000 thousand, with par value of \$10 per share. The paid-in capital were \$392,197 thousand and \$369,997 thousand, respectively.

(i) Ordinary shares

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 capital increase on August 30, 2021, and August 3, 2020, respectively. Also, a resolution was passed during the board meeting, to set October 1, 2020, and October 2, 2021, respectively, as the date of allocated capital. The relevant statutory registration procedures have since been completed.

(ii) Capital surplus

The components of the capital surplus were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Premium on issuance of capital stock	\$ 12,021	160,021
Donation from shareholders	3,585	2,598
Others	5,770	5,770
	<b>\$ 21,376</b>	<b>168,389</b>

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. Furthermore, the distribution of cash dividends amounting to \$308,331 thousand resulted in a capital increase of \$308,330 thousand by using the capital surplus based on the resolution approved during the general meetings of the shareholders held on June 9, 2020.

(Continued)

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

(iii) Retained earnings

In accordance with the Company's Articles of Incorporation, which were approved during the general meeting of shareholders held on June 9, 2020, 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.

(Continued)

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

3) Earnings distribution

Earnings distribution for the years ended December 31, 2020 and 2019 was decided by the resolution adopted, at the general meeting of shareholders held on August 16, 2021 and June 9, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31			
	2020		2019	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.20	74,000	1.00	308,330
Shares	0.20	<u>74,000</u>	1.00	<u>308,331</u>
Total		<u>\$ 148,000</u>		<u>616,661</u>

The amount of cash dividends on the appropriations of earnings for the years ended December 31, 2021, and the amount of shares dividends of appropriations of earnings for the years ended December 31, 2021, had been approved and proposed, respectively during the board meeting on March 14, 2022, as follows:

	For the year ended December 31	
	2021	
	Amount per share	Total Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 2.00	784,393
Shares	1.50	<u>588,295</u>
Total		<u>\$ 1,372,688</u>

(iv) Other equity items (net after tax)

	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>
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>
Balance on January 1, 2020	\$ 101,054
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	49,668
Disposal of investments in equity instruments designated at fair value through other comprehensive income	(254)
Balance on December 31, 2020	<u>\$ 150,468</u>

(Continued)

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

## (s) Earnings per share

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

## (i) Basic earnings per share

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Profit attributable to ordinary shareholders of the Company	<u>\$ 1,671,830</u>	<u>117,248</u>
2) Weighted-average number of ordinary shares	<u>392,197</u>	<u>392,197</u>

## (ii) Diluted earnings per share

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 1,671,830</u>	<u>117,248</u>
2) Weighted-average number of ordinary shares (basic)	392,197	392,197
Effect of restricted employee shares unvested	<u>499</u>	<u>124</u>
Weighted-average number of ordinary shares (diluted)	<u>392,696</u>	<u>392,321</u>

## (t) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<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>
	<u>\$ 9,653,691</u>	<u>825,576</u>	<u>10,479,267</u>
Timing of revenue recognition:			
Products and services transferred over time	\$ 14,991	825,576	840,567
Revenue 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>

(Continued)

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

	<b>For the year ended December 31, 2020</b>		
	<b>Sales of real estate department</b>	<b>Construction contractor department</b>	<b>Total</b>
Primary geographical markets:			
Taiwan	\$ <u>3,944,597</u>	<u>3,711,639</u>	<u>7,656,236</u>
Major products/services lines:			
Sales revenue (sales of real estate)	\$ 3,930,087	-	3,930,087
Construction contractor	-	3,711,639	3,711,639
Other revenue	<u>14,510</u>	<u>-</u>	<u>14,510</u>
	<u>\$ 3,944,597</u>	<u>3,711,639</u>	<u>7,656,236</u>
Timing of revenue recognition:			
Products and services transferred over time	14,510	3,711,639	3,726,149
Revenue transferred at a point in time	<u>3,930,087</u>	<u>-</u>	<u>3,930,087</u>
Total	<u>\$ 3,944,597</u>	<u>3,711,639</u>	<u>7,656,236</u>

## (ii) Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Contract assets – Construction	\$ 34,959	114,388	56,047
Less: Allowance for impairment	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 34,959</u>	<u>114,388</u>	<u>56,047</u>
Contract liabilities – Construction	\$ -	50,395	180,095
Contract liabilities – Sales of real estate	3,267,845	3,308,906	1,593,488
Contract liabilities – Advance receipt	<u>264</u>	<u>5,804</u>	<u>256</u>
Total	<u>\$ 3,268,109</u>	<u>3,365,105</u>	<u>1,773,839</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, 2021 and 2020 that was included in the contract liability – Sales of real estate balance at the beginning of the period were \$1,372,307 thousand and \$143,594 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, 2021 and 2020.

(Continued)

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

(u) 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, 2021 and 2020, the Company estimated its employee remuneration amounting to \$27,000 thousand and \$3,500 thousand, respectively, and directors' remuneration amounting to \$10,000 thousand and \$1,500 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 2021 and 2020. 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 the years ended 2021 and 2020.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest income from construction refundable deposit	\$ 2,199	2,344
Interest income from bank deposit and bills	2,760	2,275
Others	933	6,659
	<b><u>\$ 5,892</u></b>	<b><u>11,278</u></b>

(ii) Other income

The details of other income for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Dividend income	\$ 26,352	23,900
Rent income	8,596	7,874
	<b><u>\$ 34,948</u></b>	<b><u>31,774</u></b>

(Continued)



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

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange losses	\$ (87)	(924)
Losses on financial assets at fair value through profit or loss	-	(62)
Gain on disposal of property, plant and equipment	-	1,944
Impairment loss on non-current assets	-	(165,479)
Other income	59,966	73,195
Other expenses	(78)	(27)
	<b><u>\$ 59,801</u></b>	<b><u>(91,353)</u></b>

(iv) Finance costs

The details of finance cost for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest expense		
Bank loans and collateral	\$ 345,375	344,168
Guarantee fees	16,421	6,303
Interest on corporate bond	83,931	81,732
Other financial expenses	2,282	33
Less: capitalized interest	(317,522)	(286,113)
	<b><u>\$ 130,487</u></b>	<b><u>146,123</u></b>

(w) 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.

(Continued)

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

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>
<b>December 31, 2021</b>						
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>
<b>December 31, 2020</b>						
Non derivative financial liabilities:						
Secured bank loans	\$ 11,967,745	12,673,345	1,815,644	3,523,716	7,080,273	253,712
Unsecured bank loans	1,331,000	1,346,420	1,346,420	-	-	-
Short-term notes and bills payable	2,758,113	2,760,000	2,760,000	-	-	-
Ordinary corporate bonds (including current portion)	9,332,772	9,648,880	1,582,820	2,117,240	5,948,820	-
Notes payable, accounts payable and other payables	2,521,123	2,521,123	2,521,123	-	-	-
Lease liabilities	9,641	10,030	4,629	4,319	139	943
	<u>\$ 27,920,394</u>	<u>28,959,798</u>	<u>10,030,636</u>	<u>5,645,275</u>	<u>13,029,232</u>	<u>254,655</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.

(Continued)

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

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 \$72,137 thousand and \$66,535 thousand, respectively, for the years ended December 31, 2021 and 2020, with all other variable factors remaining constant. Taking into account that capitalized interest of profit may decrease or increase by \$21,011 thousand and \$22,493 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, 2021 and 2020, 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			
	2021		2020	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
<b>Price of securities at reporting date</b>				
Increasing 10%	\$ 60,796	-	60,270	-
Decreasing 10%	\$ (60,796)	-	(60,270)	-

(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, 2021				
	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	\$ 607,956	607,956	-	-	607,956

(Continued)

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

		<b>December 31, 2021</b>				
		<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>		
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	<b>\$ 9,591,204</b>	<b>607,956</b>	<b>-</b>	<b>-</b>	<b>607,956</b>	
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	<b>\$ 28,873,737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
		<b>December 31, 2020</b>				
		<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>		
Financial assets at fair value through other comprehensive income						
Stocks listed on domestic markets	\$ 602,698	602,698	-	-	602,698	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 2,109,643	-	-	-	-	
Notes and accounts receivable	471,044	-	-	-	-	
Other receivables	49,051	-	-	-	-	
Other financial assets- current	2,799,983	-	-	-	-	
Other financial assets- non-current	2,905,885	-	-	-	-	
Subtotal	8,335,606	-	-	-	-	
Total	<b>\$ 8,938,304</b>	<b>602,698</b>	<b>-</b>	<b>-</b>	<b>602,698</b>	

(Continued)

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

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term loans	\$ 11,936,172	-	-	-	-
Short-term notes and bills payables	2,758,113	-	-	-	-
Notes payable, accounts payable and other payables	2,521,123	-	-	-	-
Lease liabilities	9,641	-	-	-	-
Corporate bonds payable (including current portion)	9,332,772	-	-	-	-
Long-term loans (including current portion)	<u>1,362,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 27,920,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

(Continued)

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

The discounted cash flow method is used to estimate the fair value. The main assumptions are considering the probability of occurrence base 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 base 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, 2021 and 2020. There is no transfer between levels measured at fair value for the years ended December 31, 2021 and 2020.

(x) 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.

(Continued)

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

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.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. On December 31, 2021 and 2020, 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.

(y) 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.

(Continued)

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

As of 2021, the Group's capital management strategy is consistent with the prior year as of 2020. The gearing ratio is maintained so as to ensure financing at reasonable cost. The Group's debt-to-equity ratio as of December 31, 2021 and 2020, were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 32,650,000	31,727,054
Less: cash and cash equivalents	<u>(2,178,382)</u>	<u>(2,109,643)</u>
Net debt	30,471,618	29,617,411
Total Equity	<u>6,675,011</u>	<u>5,070,936</u>
Total capital and equity	<u>\$ 37,146,629</u>	<u>34,688,347</u>
Debt-to-equity ratio	<u>82%</u>	<u>85%</u>

- (z) 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, 2021 and 2020, 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, 2021 and 2020, Guang Yang Investment Co., Ltd. (Guang Yang) is the parent company of the Group and owns 6.13% and 5.62% 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.	"

(Continued)



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

<u>Name of related party</u>	<u>Relationship with the Group</u>
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
○○, Wu	Relatives by blood within the second degree of relationship of key management personnel of the Company

(c) Significant transactions with related parties

(i) Operating revenues

1) Construction revenue

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>December</u>	<u>December</u>
	<u>2021</u>	<u>2020</u>	<u>31, 2021</u>	<u>31, 2020</u>
○○, Wu	\$ -	7,329	-	-
○○, Ye	-	-	1,528	-
	<u>\$ -</u>	<u>7,329</u>	<u>1,528</u>	<u>-</u>

The total amount of the contract of sales to the related parties are \$17,088 thousand, and \$7,479 thousand (VAT included), respectively. There were no significant differences of the price and conditions for related parties and ordinary contract mentioned above.

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>2021</u>	<u>2020</u>
Parent company – Highwealth	\$ <u>580,172</u>	<u>2,173,880</u>
	<u>Amount charged</u>	
	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Parent company – Highwealth	\$ <u>651,454</u>	<u>2,055,676</u>

(Continued)

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

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.

(ii) Purchase

- 1) The amounts of purchases from contract construction by the Group from related parties were as follows:

	<b>Purchase (charged)</b>	
	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company:		
Chyi Yuh	\$ 390,276	2,622,584
Other related parties	<u>27,057</u>	<u>50,281</u>
	<b><u>\$ 417,333</u></b>	<b><u>2,672,865</u></b>

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:

	<b>Expense paid</b>	
	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company :		
Highwealth	\$ 4,667	3,333
Othr related parties	<u>2,398</u>	<u>-</u>
	<b><u>\$ 7,065</u></b>	<b><u>3,333</u></b>

(iii) Receivables from related parties

The receivables from related parties were as follows:

<b>Accounted items</b>	<b>Categories</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable	Parent company – Highwealth	\$ 96,679	197,249
Other receivables	Parent company – Highwealth	-	47,323
"	Other related parties	<u>-</u>	<u>134</u>
		<b><u>\$ 96,679</u></b>	<b><u>244,706</u></b>

(Continued)

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

## (iv) Payables to related parties

The payables to related parties were as follows:

<u>Accounted items</u>	<u>Categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	Parent company – Highwealth	\$ -	952
"	Parent company – Chyi Yuh	155,253	531,969
"	Other related parties	26,525	29,385
Other payables	Parent company	1,246	1,718
"	Other related parties	4,596	17,680
		<u>\$ 187,620</u>	<u>581,704</u>

## (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, 2021</u>	<u>December 31, 2020</u>	<u>For the years ended December 31</u>	
			<u>2021</u>	<u>2020</u>
Parent company	-	-	57	57
Other related parties :				
Bo Yuan	1,378	1,140	6,749	6,964
Other related parties	-	-	47	41
	<u>\$ 1,378</u>	<u>1,140</u>	<u>6,853</u>	<u>7,062</u>

## 2) Rent expense

	<u>Refundable deposits</u>		<u>Rent expense</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>For the years ended December 31</u>	
			<u>2021</u>	<u>2020</u>
Parent company	\$ 215	215	4,671	5,896
Other related parties	140	140	940	2,119
	<u>\$ 355</u>	<u>355</u>	<u>5,611</u>	<u>8,015</u>

As of December 31, 2021 and 2020, The Group prepaid to parent company were \$0 thousand and \$33 thousand for the leases mentioned above, respectively.

(Continued)

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

## (vi) Others

- 1) As of December 31, 2021 and 2020, the Group's contracts with related parties for construction cooperation were as follows:

<u>Property</u>	<u>Land owner /Investor</u>	<u>Type</u>	<u>Portion</u>	<u>Construction deposits</u>
<b><u>December 31, 2021</u></b>				
Shr Jeng Ai Yue (Huei An section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposits \$ 100,000 Refundable notes \$ 200,000
<b><u>December 31, 2020</u></b>				
Yue Cheng (Guo Mau Project)	Parent company – Highwealth	Redistribution under cooperative construction	40%	Refundable deposit \$ 50,000
Shr Jeng Ai Yue (Huei An section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000 Refundable notes \$ 200,000

The consumption of Yue Chen (Guo Mau Project) and the exchange of buildings for land with the parent Company had been completed by 2020. By the end of December 31, 2020, for the asset pledged from joint construction contract, please refer to note 8.

- 2) As of December 31, 2021 and 2020, the Group received guarantee notes from Chyi Yuh were \$85,418 thousand and \$34,178 thousand for the construction contracts, respectively.
- 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:

	<b>Expense paid</b>	
	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 11,534	11,429
Other related parties:		
Ju Feng	23,094	28,960
Other related parties	2,332	24,784
	<b>\$ 36,960</b>	<b>65,173</b>

(Continued)

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

- 4) The management services provided to related parties were as follows:

Parent company	<b>Other income</b>	
	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$ 3,438</b>	<b>-</b>

- (d) Key management personnel compensation

Key management personnel compensation comprised:

Short-term employee benefits	<b>For the years ended December 31</b>	
	<b>2021</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$ 47,640</b>	<b>16,496</b>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Financial assets at FVOCI	Bank loans	\$ 607,956	602,698
Notes receivable	Bank loans and short-term notes and bills payable	231,552	60,849
Other financial assets- current and non-current	Trust account, performance guarantee, bank loans, short-term notes and bills payable and bonds	5,722,732	5,193,040
Inventories (construction)	Bank loans, short-term notes and bills payable, long-term borrowings and bonds	23,119,945	18,524,172
Property, plant and equipment	Long-term borrowings	-	18,587
Investment property	Long-term borrowings, bank loans, short-term notes and bills payable and bonds	755,059	672,655
Non-current assets held for sale	Long-term borrowings, current portion	-	1,187,386
		<b>\$ 30,437,244</b>	<b>26,259,387</b>

As of December 31, 2021 and 2020, the book value of pledged assets providing undrawn guaranteed loan are \$65,752 thousand and \$1,173,710 thousand, respectively. As of December 31, 2021 and 2020 the Group provided notes receivable of presale cases \$1,536,234 thousand, and \$1,157,804 thousand, as collateral for the bank loans, respectively.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated 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, and for property, plant and equipment were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Amounts of signed contracts	<u>\$ 32,748,085</u>	<u>28,211,418</u>
Received amount from contracts	<u>\$ 3,267,845</u>	<u>3,308,906</u>
Outstanding checks received from presale cases	<u>\$ 2,159,217</u>	<u>2,115,653</u>

- (ii) As of December 31, 2021 and 2020, the refundable deposits paid, through cooperation with the land owners, amounted to \$425,000 thousand and \$475,000 thousand, respectively; the refundable notes submitted amounts both were \$220,000 thousand.
- (iii) As of December 31, 2021 and 2020, the contract price of administer services the Group 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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Acquisition of inventory (construction)	<u>\$ 2,768,959</u>	<u>4,014,262</u>

- (v) Construction contract price signed by subsidiaries was as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Amount of signed contracts	<u>\$ 252,079</u>	<u>5,022,489</u>
Received amount from contracts	<u>\$ 123,574</u>	<u>4,389,516</u>

- (vi) As of December 31, 2020, the Group expect to pay the rent for total \$160,276 thousand because of the unrecognized lease-back transaction. The lease term was expected to be from January, 2021 to July, 2026.

(Continued)

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

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

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					
		2021			2020		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		55,683	168,861	224,544	96,932	117,680	214,612
Labor and health insurance		5,591	13,871	19,462	8,912	11,693	20,605
Pension		2,847	5,933	8,780	4,710	5,106	9,816
Others		2,396	14,333	16,729	3,953	15,038	18,991
Depreciation		7,052	35,150	42,202	6,804	12,671	19,475
Amortization		-	3,005	3,005	-	3,045	3,045

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated 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 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	1,335,002	600,000	600,000	450,000	600,000	8.99 %	3,337,506	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, 2021 (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	13,145,000	607,956	0.94 %	607,956	1.02 %	

## (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(Continued)



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

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Taoyuan city Gui Shan district Shan Jie section	September 7, 2021	1,614,096	1,614,096	Chen ○○, and other 6 people	Not related parties	-	-	-	-	Appraisal	Construction	
The Company	Tainan city Anping section	November 9, 2021	1,223,873	371,621	Chang ○○, and other 14 people	Not related parties	-	-	-	-	Appraisal	Construction	

- (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	376,780	4.21%		-		(153,274)	(12.76)%	Note 2	
The Company	Jin Jyun Construction Co., Ltd.	Subsidiary of the Company	Contracting project	2,987,553	33.38%		-		(557,514)	(46.40)%	Note 2, 3	
Jin Jyun Construction Co., Ltd.	Highwealth Construction Corp.	Ultimate parent company	Contracted project	(580,172)	(14.03)%		-		96,679	12.66%	Note 1	
Jin Jyun Construction Co., Ltd.	The Company	Parent company	Contracted project	(3,310,591)	(80.04)%		-		557,514	72.98%	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	557,514	7.86	-	-	548,297	-

- (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	557,514	Same with peer terms	1.42%
			1	Operating cost	3,310,591	Same with peer terms	31.59%
1	Jin Jyun Construction Co., Ltd.	The Company	2	Accounts receivable	557,514	Same with peer terms	1.42%
			2	Operating revenue	3,310,591	Same with peer terms	31.59%

(Continued)

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

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (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, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	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.	518,300	518,300	50,000,000	100.00 %	502,279	100.00 %	79,752	12,457	

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.		38,625,861	9.84 %
Ruen Ying Investment Co., Ltd.		25,117,350	6.40 %
Guang Yang Investment Co., Ltd.		24,022,699	6.13 %
Wan Sheng Fa Investment Co., Ltd.		22,698,296	5.78 %
Highwealth Construction Corp.		22,422,816	5.71 %
Shing R Sheng Investment Co., Ltd.		21,840,559	5.56 %
Feng Rau Investment Co., Ltd.		21,240,333	5.41 %
Chyi Yuh Construction Co., Ltd.		19,686,744	5.01 %

(Continued)

**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, 2021 and 2020 were detailed below:

	<u>Developing segment</u>	<u>Constructing segment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
<b>For the year ended December 31, 2021</b>				
Revenue:				
Revenue from external customers	\$ 9,653,691	825,576	-	10,479,267
Intersegment	-	3,310,591	(3,310,591)	-
Interest revenue	<u>5,528</u>	<u>364</u>	<u>-</u>	<u>5,892</u>
Total revenue	<u>\$ 9,659,219</u>	<u>4,136,531</u>	<u>(3,310,591)</u>	<u>10,485,159</u>
Interest expenses	<u>\$ 130,075</u>	<u>412</u>	<u>-</u>	<u>130,487</u>
Depreciation and amortization	<u>\$ 42,411</u>	<u>2,796</u>	<u>-</u>	<u>45,207</u>
<b>Reportable segment profit or loss</b>	<u>\$ 2,040,100</u>	<u>99,854</u>	<u>(79,753)</u>	<u>2,060,201</u>
Capital expenditure	<u>\$ 66,137</u>	<u>2,243</u>	<u>-</u>	<u>68,380</u>
<b>Reportable segment assets</b>	<u>\$ 37,740,002</u>	<u>2,839,644</u>	<u>(1,254,635)</u>	<u>39,325,011</u>
<b>Reportable segment liabilities</b>	<u>\$ 31,064,991</u>	<u>2,187,944</u>	<u>(602,935)</u>	<u>32,650,000</u>
<b>For the year ended December 31, 2020</b>				
Revenue:				
Revenue from external customers	\$ 3,944,597	3,711,639	-	7,656,236
Intersegment	-	1,442,394	(1,442,394)	-
Interest revenue	<u>10,849</u>	<u>429</u>	<u>-</u>	<u>11,278</u>
Total revenue	<u>\$ 3,955,446</u>	<u>5,154,462</u>	<u>(1,442,394)</u>	<u>7,667,514</u>
Interest expenses	<u>\$ 145,783</u>	<u>340</u>	<u>-</u>	<u>146,123</u>
Depreciation and amortization	<u>\$ 20,223</u>	<u>2,297</u>	<u>-</u>	<u>22,520</u>
<b>Reportable segment profit or loss</b>	<u>\$ 174,671</u>	<u>179,150</u>	<u>(143,791)</u>	<u>210,030</u>
Capital expenditure	<u>\$ 9,253</u>	<u>61,685</u>	<u>-</u>	<u>70,938</u>
<b>Reportable segment assets</b>	<u>\$ 35,760,762</u>	<u>2,076,461</u>	<u>(1,039,233)</u>	<u>36,797,990</u>
<b>Reportable segment liabilities</b>	<u>\$ 30,689,826</u>	<u>1,374,514</u>	<u>(337,286)</u>	<u>31,727,054</u>