

RUN LONG CONSTRUCTION CO., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

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(R.O.C.)

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

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Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition on sales of properties and land

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

Description of key audit matter

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

Auditing procedures performed

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

2. Inventory valuation

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

Description of key audit matter

As of December 31, 2022, inventory of the Company valued \$35,030,726 thousand, constituting 74% of the total assets, which was presented with lower of cost or net realizable value method. The judgment of net realizable value of inventory relies on management since the Company focuses on real estate industry, which is not only deeply affected by politics, macroeconomics, prosperity, and revolution of housing and land taxation, but also an industry involving a large portion of capital infusion and long-term payback. Thus, the valuation of inventory is one of the most important evaluation in performing our audit procedures.

Auditing procedures performed

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2023

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
Operating Revenues (notes 6(n) and (s)):					
4511	Construction revenue	\$ 2,353,101	99	9,638,471	100
4800	Other operating revenue	<u>15,979</u>	<u>1</u>	<u>15,220</u>	<u>-</u>
		<u>2,369,080</u>	<u>100</u>	<u>9,653,691</u>	<u>100</u>
5000	Operating costs (note 7)	<u>1,564,244</u>	<u>66</u>	<u>7,012,433</u>	<u>73</u>
	Gross profit from operations	<u>804,836</u>	<u>34</u>	<u>2,641,258</u>	<u>27</u>
Operating expenses:					
6100	Selling expenses (notes 6(i) and 7)	248,082	10	340,109	4
6200	Administrative expenses (notes 6(t) and 7)	<u>263,462</u>	<u>11</u>	<u>227,300</u>	<u>2</u>
		<u>511,544</u>	<u>21</u>	<u>567,409</u>	<u>6</u>
	Operating income	<u>293,292</u>	<u>13</u>	<u>2,073,849</u>	<u>21</u>
Non-operating income and expenses: (notes 6(u) and 7)					
7100	Interest income	9,308	-	5,528	-
7010	Other income	62,366	3	34,790	-
7020	Other gains and losses	47,423	2	43,551	1
7050	Finance costs	(156,869)	(7)	(130,075)	(1)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>(49,802)</u>	<u>(2)</u>	<u>12,457</u>	<u>-</u>
		<u>(87,574)</u>	<u>(4)</u>	<u>(33,749)</u>	<u>-</u>
	Profit from continuing operations before tax	205,718	9	2,040,100	21
7950	Less: Income tax expenses (note 6(p))	<u>49,082</u>	<u>2</u>	<u>368,270</u>	<u>4</u>
	Profit	<u>156,636</u>	<u>7</u>	<u>1,671,830</u>	<u>17</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains from (loss on) investments in equity instruments measured at fair value through other comprehensive income	<u>(25,152)</u>	<u>(1)</u>	<u>5,258</u>	<u>-</u>
8300	Other comprehensive income (net after tax)	<u>(25,152)</u>	<u>(1)</u>	<u>5,258</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 131,484</u>	<u>6</u>	<u>1,677,088</u>	<u>17</u>
Earnings per share (note 6(r))					
9750	Basic earnings per share (NT dollars)	<u>\$ 0.35</u>		<u>3.71</u>	
	Diluted earnings per share (NT dollars)	<u>\$ 0.35</u>		<u>3.70</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

RUN LONG CONSTRUCTION CO., LTD.**Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

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

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 205,718	2,040,100
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	44,045	40,750
Amortization	1,798	1,661
Interest expense	156,869	130,075
Interest income	(9,308)	(5,528)
Dividend income	(52,666)	(26,352)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	49,802	(12,457)
Gain on disposal of property, plant and equipment	(7)	-
Gain on disposal of investment properties	(10,960)	-
Gain on lease modifications	(8)	(76)
Total adjustments to reconcile profit (loss)	179,565	128,073
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	168,865	(202,793)
Decrease (increase) in accounts receivable	(1,133,169)	23,640
Decrease (increase) in other receivables	26,744	(25,920)
Decrease in other receivables due from related parties	-	47,457
Decrease in inventories	-	10,598
Increase in inventories (construction)	(8,012,451)	(1,932,772)
Increase in prepayments	(224,033)	(19,403)
Increase in other current assets	(9,206)	(867)
Decrease (increase) in other financial assets—current	(302,362)	286,426
Increase in assets recognized as incremental costs to obtain contract with customers	(629,867)	(523,729)
Decrease (increase) in other financial assets—non-current	4,372	(3,695)
Total changes in operating assets	(10,111,107)	(2,341,058)
Changes in operating liabilities:		
Increase in contract liabilities	2,386,346	256,063
Increase (decrease) in notes payable	(3,674)	3,674
Increase in accounts payable	26,484	23,397
Decrease in accounts payable to related parties	(117,834)	(112,581)
Increase (decrease) in other payables	(120,911)	404,001
Increase in provisions	161	206
Increase (decrease) in other current liabilities	242,917	(193,148)
Total changes in operating liabilities	2,413,489	381,612
Total changes in operating assets and liabilities	(7,697,618)	(1,959,446)
Total adjustments	(7,518,053)	(1,831,373)
Cash inflow (outflow) generated from operations	(7,312,335)	208,727
Income taxes paid	(370,426)	(105,099)
Net cash flows from (used in) operating activities	(7,682,761)	103,628

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD.

Statements of Cash Flows (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(200,000)	-
Proceeds from disposal of non-current assets held for sale	-	884,722
Acquisition of property, plant and equipment	(2,054)	(843)
Proceeds from disposal of property, plant and equipment	7	-
Acquisition of intangible assets	(2,815)	(1,003)
Proceeds from disposal of investment properties	39,507	-
Increase in other non-current assets	-	(64,291)
Interest received	9,171	3,510
Dividends received	124,666	156,352
Net cash flows from (used in) investing activities	(31,518)	978,447
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	15,093,516	8,413,283
Decrease in short-term borrowings	(6,547,800)	(6,474,700)
Increase in short-term notes and bills payable	4,772,300	13,621,400
Decrease in short-term notes and bills payable	(5,258,500)	(15,143,500)
Proceeds from issuing bonds	2,000,000	2,000,000
Repayments of bonds	(2,000,000)	(1,500,000)
Repayments of long-term borrowings	(25,558)	(1,018,091)
Other financial assets – current	1,682,052	697,517
Other financial assets – non-current	(1,117,874)	(981,920)
Payment of lease liabilities	(27,010)	(26,092)
Cash dividends paid	(784,393)	(74,000)
Interest paid	(585,344)	(443,590)
Net cash flows from (used in) financing activities	7,201,389	(929,693)
Net increase (decrease) in cash and cash equivalents	(512,890)	152,382
Cash and cash equivalents at beginning of period	1,438,780	1,286,398
Cash and cash equivalents at end of period	\$ 925,890	1,438,780

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
RUN LONG CONSTRUCTION CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

Run Long Construction Co., Ltd. (the “Company”) was incorporated in January 1977 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The Company's registered address is 8F., No. 267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.). On August 3, 1994, the Company's shares were listed on the Taiwan Stock Exchange (TWSE). The Company primarily engages in the business of construction, sales, leasing of residential and commercial buildings.

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

The parent company only financial statements were authorized for issue by the Board of Directors on March 10, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)

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

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These partner company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

The accompanying parent company only financial statements have been prepared on the historical cost basis except for the following significant accounts.

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

(ii) Functional and presentation currency

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

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

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

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

(Continued)

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

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

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

(d) Cash and cash equivalents

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

(e) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

RUN LONG CONSTRUCTION CO., LTD.

Notes to the Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Business model assessment

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

4) Impairment of financial assets

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

(Continued)

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

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

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

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

(Continued)

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4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(f) Inventories

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

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

(i) Construction site

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

(ii) Construction in progress

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

(iii) Real estate held for sale

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

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RUN LONG CONSTRUCTION CO., LTD.
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(g) Investing subsidiaries

In preparing the parent company only financial statements of the Company, investee company that controlled by the Company is accounted for under the equity method. Under equity method, profit for the year and other comprehensive income for the year reported in an entity's parent company only financial statement of comprehensive income, shall equal to profit for the year and other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity' s parent company only financial statement shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

The Company' s changes in equity interests in subsidiaries that did not lead to loss of control, deemed as equity transactions between owners.

(h) Investment property

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

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

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RUN LONG CONSTRUCTION CO., LTD.
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(iii) Depreciation

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

Land is not depreciated.

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

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

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

(j) Lease

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

(i) As a lessee

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

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

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

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

- 1) Fixed payments; including in-substance fixed payments;
- 2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) Amounts expected to be payable under a residual value guarantee; and

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RUN LONG CONSTRUCTION CO., LTD.
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- 4) Payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Company applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Company derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Company applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Company continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

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Notes to the Financial Statements

(ii) As a lessor

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

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

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

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

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable flow into the Company and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

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(iii) Amortization

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

1) Patent and trademark	10 years
2) Computer software	1~3 years

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in current-period profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

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1) Land development and sale of real estate

The Company develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. An enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. In rare circumstances for pre selling properties, the consideration is usually received by installment during the period from contract signing to the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

2) Financing components

The Company expects that (i) the financing components are not substantive to individual contract or (ii) the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

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(ii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income Taxes

Income taxes comprise both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either
 - 1) The same taxable entity; or

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- 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Earnings per share

The Company disclose the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares, such as remuneration of employee stock options.

(q) Operating segments

The Company has disclosed operating segments information in the consolidated financial statements. Therefore, the Company does not disclose operating segment information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about judgements made in applying accounting policies that have significant effects on the amounts recognized in the parent only company financial statements is as follows: None.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

Inventories are measured at the lower of cost and net realizable value, the Company's evaluate the selling price in the market is below the cost, and write off the cost of inventory to net realizable value. The estimation of net realizable value is based on current market conditions . Please refer note 6(d) for inventory valuation.

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Valuation process

The Company's accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The fair value measurement of investment property is based on the website of Department of Land Administration and estate agency's website or the close deal in similar district.

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

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The transfers policy between levels of the fair value hierarchy

If there is any movement of financial instruments measured at fair value between level 1, level 2 and level 3, the Company recognizes the movement at the reporting date. For assumptions used in measuring fair value. Please refer notes as follows:

- (a) Note 6(h) Investment property.
- (b) Note 6(v) Financial instruments.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 337	339
Demand Deposits (including foreign currency)	925,553	1,438,107
Check Deposits	-	334
Cash and cash equivalents	\$ 925,890	1,438,780

Please refer to note 6(v) for the disclosure of the Company's financial assets and liabilities interest risk and sensitivity analysis.

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(b) Financial assets at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic market	<u>\$ 582,804</u>	<u>607,956</u>

- (i) The Company designated the investments shown above as equity investment at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes and not hold for sale.

During the years ended December 31, 2022 and 2021, the dividends of \$52,666 thousand and \$26,352 thousand, respectively, related to equity investments at fair value through other comprehensive income, were recognized;

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

- (ii) For credit risk and market risk, please refer to note 6(v).
- (iii) The financial assets at fair value through other comprehensive income of the Company had been pledged as collateral, please refer to note 8.

(c) Note and account receivables, net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Note receivable	\$ 194,620	363,485
Trade receivables—measured as amortized cost	<u>1,144,625</u>	<u>11,456</u>
Total	<u>\$ 1,339,245</u>	<u>374,941</u>

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

	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance Provision</u>
Current	<u>\$ 1,339,245</u>	-	<u>-</u>

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	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance Provision
Current	\$ 374,941	-	-

For the years ended December 31, 2022 and 2021, there are no expected credit losses recognized or reversed.

As of December 31, 2022 and 2021, note receivables had been pledged as collateral; please refer to note 8.

(d) Inventories

	December 31, 2022	December 31, 2021
Prepaid for land purchase	\$ -	278,063
Land held for construction sites	701,934	2,479,866
Construction in progress	32,497,213	22,176,559
Properties and land held for sale	1,831,579	1,815,458
Subtotal	35,030,726	26,749,946
Total	\$ 35,030,726	26,749,946

For the years ended December 31, 2022 and 2021, the cost of inventory recognized as cost of goods sold and expense was \$1,554,810 thousand and \$7,005,813 thousand, respectively. For the years ended December 31, 2022 and 2021, there was no write-offs or reversals of inventories.

For the year ended December 31, 2022, the Company changed the usage of partial asset, and reclassified properties and land held for sale to investment property according to definition of investment property. Please refer to Note 6(h).

For the years ended December 31, 2022 and 2021, construction in progress of the Company is calculated using a capitalization rate 2.07% and 1.82%, respectively. For the amount of capitalized interest, please refer to note 6(u).

As of December 31, 2022 and 2021 the inventories of the Company had been pledged as collateral, please refer to note 8.

(e) Investments accounted for using equity method

The investments accounted for using equity method of the Company for the year ended December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 580,477	502,279

(Continued)

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

(i) Subsidiaries

Please refer to consolidated financial statement of 2022.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

	<u>Land (Including improvement)</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other equipment (including transportation, office, leasehold improvements, and other equipment)</u>	<u>Total</u>
Cost:					
Balance on January 1, 2022	\$ 213,883	49,628	1,699	43,105	308,315
Additions	-	-	-	2,054	2,054
Disposals	-	-	-	(649)	(649)
Balance on December 31, 2022	<u>\$ 213,883</u>	<u>49,628</u>	<u>1,699</u>	<u>44,510</u>	<u>309,720</u>
Balance on January 1, 2021	\$ 213,883	49,628	1,699	42,262	307,472
Additions	-	-	-	843	843
Balance on December 31, 2021	<u>\$ 213,883</u>	<u>49,628</u>	<u>1,699</u>	<u>43,105</u>	<u>308,315</u>
Depreciation and Impairment:					
Balance on January 1, 2022	\$ 4,990	43,996	602	24,108	73,696
Depreciation	570	1,597	425	4,109	6,701
Disposals	-	-	-	(649)	(649)
Balance on December 31, 2022	<u>\$ 5,560</u>	<u>45,593</u>	<u>1,027</u>	<u>27,568</u>	<u>79,748</u>
Balance on January 1, 2021	\$ 4,420	42,174	177	20,005	66,776
Depreciation	570	1,822	425	4,103	6,920
Balance on December 31, 2021	<u>\$ 4,990</u>	<u>43,996</u>	<u>602</u>	<u>24,108</u>	<u>73,696</u>
Carrying amounts:					
Balance on December 31, 2022	<u>\$ 208,323</u>	<u>4,035</u>	<u>672</u>	<u>16,942</u>	<u>229,972</u>
Balance on December 31, 2021	<u>\$ 208,893</u>	<u>5,632</u>	<u>1,097</u>	<u>18,997</u>	<u>234,619</u>

For the years ended December 31, 2022 and 2021, the above-mentioned property, plant and equipment of the Company were not pledged as collateral.

(g) Right of use assets

The Company leases assets including land and buildings. Information about leases for which the Company as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance on January 1, 2022	\$ 3,552	152,503	156,055
Transfer to investment property	(73)	-	(73)
Balance on December 31, 2022	<u>\$ 3,479</u>	<u>152,503</u>	<u>155,982</u>

(Continued)

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance on January 1, 2021	\$ 12,447	-	12,447
Additions	72	152,503	152,575
Lease modification	(8,967)	-	(8,967)
Balance on December 31, 2021	<u>\$ 3,552</u>	<u>152,503</u>	<u>156,055</u>
Depreciation and impairment losses:			
Balance on January 1, 2022	\$ 427	26,264	26,691
Depreciation	182	27,728	27,910
Transfer to investment property	(15)	-	(15)
Balance on December 31, 2022	<u>\$ 594</u>	<u>53,992</u>	<u>54,586</u>
Balance on January 1, 2021	\$ 274	-	274
Depreciation	946	26,264	27,210
Lease modification	(793)	-	(793)
Balance on December 31, 2021	<u>\$ 427</u>	<u>26,264</u>	<u>26,691</u>
Carrying amounts:			
Balance on December 31, 2022	<u>\$ 2,885</u>	<u>98,511</u>	<u>101,396</u>
Balance on December 31, 2021	<u>\$ 3,125</u>	<u>126,239</u>	<u>129,364</u>

(h) Investment Property

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

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Right-of-use assets-Land</u>	<u>Total</u>
Cost:				
Balance on January 1, 2022	\$ 423,691	349,785	-	773,476
Transfer from inventory	90,615	104,943	-	195,558
Transfer from right-of-use assets	-	-	73	73
Disposals	(12,542)	(16,217)	-	(28,759)
Balance on December 31, 2022	<u>\$ 501,764</u>	<u>438,511</u>	<u>73</u>	<u>940,348</u>
Balance on January 1, 2021	\$ 375,656	317,575	-	693,231
Transfer from inventory	48,035	32,210	-	80,245
Balance on December 31, 2021	<u>\$ 423,691</u>	<u>349,785</u>	<u>-</u>	<u>773,476</u>

(Continued)

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

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Right-of-use assets-Land</u>	<u>Total</u>
Depreciation and Impairment:				
Balance on January 1, 2022	\$ -	18,417	-	18,417
Transfer from right-of-use assets	-	-	15	15
Depreciation	-	9,431	3	9,434
Disposals	-	(212)	-	(212)
Balance on December 31, 2022	<u>\$ -</u>	<u>27,636</u>	<u>18</u>	<u>27,654</u>
Balance on January 1, 2021	\$ -	11,797	-	11,797
Depreciation	-	6,620	-	6,620
Balance on December 31, 2021	<u>\$ -</u>	<u>18,417</u>	<u>-</u>	<u>18,417</u>
Carrying amounts:				
Balance on December 31, 2022	<u>\$ 501,764</u>	<u>410,875</u>	<u>55</u>	<u>912,694</u>
Balance on December 31, 2021	<u>\$ 423,691</u>	<u>331,368</u>	<u>-</u>	<u>755,059</u>
Fair value:				
Balance on December 31, 2022				<u>\$ 1,141,412</u>
Balance on December 31, 2021				<u>\$ 940,387</u>

The investment property includes the Company's own assets and right-of-use assets held in recognition of lease rights, and office buildings and parking lots leased to third parties under operating leases. Please refer to note 6(n) for more information.

The fair value measurement of investment property by the Company is based on the website of Department of Land Administration and estate agencies website or the close deal in similar district. The fair value measurement of investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

As of December 31, 2022 and 2021, the Company's investment property had been pledged as collateral, please refer to note 8.

- (i) Other financial assets and incremental costs of obtaining a contract

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current and non-current financial assets	\$ 5,429,405	5,695,462
Current incremental costs of obtaining a contract	1,564,071	934,204
Total	<u>\$ 6,993,476</u>	<u>6,629,666</u>

(Continued)

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

(i) Other financial assets

Other financial assets include certificate of deposit as collateral, trust account for presale of properties, reserve account for borrowing, performance guarantee, reserve account for bonds and construction deposit.

(ii) Incremental costs of obtaining a contract

The Company expects that incremental commission fees paid to intermediaries, and the bonus for the internal sales department are recoverable. The Company has therefore capitalized them as contract costs. Capitalized commission fees are amortized when the related revenues are recognized. For the years ended December 31, 2022 and 2021, the Company recognized \$110,217 thousand and \$193,621 thousand of selling expenses.

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

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

December 31, 2022				
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	2.11%~3.40%	2023~2027	\$ 21,134,135
Unsecured bank loans	TWD	1.93%~2.53%	2023~2027	1,290,000
Short-term notes and bills payable	TWD	2.29%~2.32%	2023	751,639
Total				\$ 23,175,774

December 31, 2021				
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.54%~2.48%	2022~2026	\$ 13,352,657
Unsecured bank loans	TWD	1.23%~1.68%	2022	522,000
Short-term notes and bills payable	TWD	0.47%~1.82%	2022	1,236,759
Total				\$ 15,111,416

(i) The issue of bank loan and repayment

For the years ended December 31, 2022 and 2021, the incremental amounts were \$19,865,816 thousand and \$22,034,683 thousand, respectively; the repayment amounts were \$11,806,300 thousand and \$21,618,200 thousand, respectively.

(ii) Collateral for bank loans

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

(Continued)

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

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

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

	December 31, 2022			
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	2.04%	2034	\$ 318,924
Less: current portion				(25,525)
Total				\$ 293,399
	December 31, 2021			
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.54%	2034	\$ 344,482
Less: current portion				(25,944)
Total				\$ 318,538

(i) The issue of bank loan and repayment

For the years ended December 31, 2022 and 2021, the incremental amounts were no addition; the repayment amounts were \$25,558 thousand and \$1,018,091 thousand, respectively.

(ii) Collateral for bank loans

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

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

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

	December 31, 2022	December 31, 2021
Secured ordinary corporate bond — current	\$ -	1,989,327
Secured ordinary corporate bond — non-current	9,855,015	7,861,799
Total	\$ 9,855,015	9,851,126

(i) The Company issued a secured ordinary corporate bond for 5 years at the amount of \$2,000,000 thousand, with an interest rate of 0.85% and 0.57%, in April 2022 and November 2021, respectively.

(ii) The Company issued a secured ordinary corporate bond amounting to \$5,900,000 thousand, and \$2,000,000 thousand with an interest rate of 0.78%~ 0.85% and 0.98% in 2019, and August 2017, respectively. The secured ordinary corporate bonds were issued for 5 years.

(iii) For the details of collateral of secured ordinary corporate bond, please refer to note 8.

(Continued)

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

(m) Lease liabilities

The carrying amount of lease liabilities were as follows :

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	\$ <u>29,104</u>	<u>29,149</u>
Non-current	\$ <u>72,040</u>	<u>99,013</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>2,145</u>	<u>2,282</u>
Expenses relating to short-term leases	\$ <u>12,638</u>	<u>16,600</u>

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>41,793</u>	<u>44,974</u>

(i) Real estate lease

In January 2021, the Company sold and leased back its office buildings, and leased land for the parking lot. The leases run for a period of 5.5-20 years. The Company also leases out its office equipment and outdoor advertising. These leases are short-term and leases of low-value items. The Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(n) Operating lease

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(h) sets out information about the operating leases of investment property.

(Continued)

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

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2022	December 31, 2021
Less than one year	\$ 17,981	16,271
One to two years	12,049	16,031
Two to three years	9,029	9,358
Three to four years	4,131	6,261
Four to five years	4,131	514
More than five years	3,034	-
Total undiscounted lease payments	<u><u>\$ 50,355</u></u>	<u><u>48,435</u></u>

For the years ended December 31, 2022 and 2021, the Company's rental income from investment properties were \$15,979 thousand and \$14,991 thousand, respectively.

(o) Employee benefits

(i) Defined benefit plans

The Company's employee benefit liabilities were as follows:

	December 31, 2022	December 31, 2021
Short-term paid leave liability	<u><u>\$ 2,688</u></u>	<u><u>2,527</u></u>

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$3,306 thousand and \$3,212 thousand for the years ended December 31, 2022 and 2021, respectively.

(Continued)

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

(p) Income tax

(i) Income tax expenses

The components of income tax expenses for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Current tax expense		
Current period	\$ -	327,269
Land value increment tax	39,487	40,167
Adjustment for prior periods	2,997	834
Additional surtax on unappropriated earnings	6,598	-
	<u>49,082</u>	<u>368,270</u>
Income tax expense	<u>\$ 49,082</u>	<u>368,270</u>

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2022 and 2021 were follows:

	For the years ended December 31	
	2022	2021
Profit before tax	\$ 205,718	2,040,100
Income tax expense at domestic statutory tax rate	41,144	408,020
Book –tax difference between deferred interest expense	(20,901)	(14,629)
Land tax exempt income	(63,284)	31,987
Adjustment for prior periods	2,997	834
Book –tax difference between deferred sales commission	14,535	(18,712)
Book –tax difference between deferred impairment loss	-	(33,096)
Land value increment tax	39,487	40,167
Dividend income	(10,533)	(5,270)
Additional surtax on unappropriated earnings	6,598	-
Others	39,039	(41,031)
	<u>49,082</u>	<u>368,270</u>
	<u>\$ 49,082</u>	<u>368,270</u>

(ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax liabilities for the years ended December 31, 2022 and 2021 were as follows:

(Continued)

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

	Provision for land value increment tax
<u>Deferred tax liabilities:</u>	
Balance on January 1, 2022	\$ <u>2,844</u>
Balance on December 31, 2022	\$ <u><u>2,844</u></u>
Balance on January 1, 2021	\$ <u>2,844</u>
Balance on December 31, 2021	\$ <u><u>2,844</u></u>

(iii) Assessment of tax

The Company's income tax had been examined by the tax authorities till the year 2020.

(q) Capital and other equity

As of December 31, 2022 and 2021, the total value of authorized ordinary shares were \$8,000,000 thousand and \$5,000,000 thousand, respectively, with par value of \$10 per share. The paid-in capital were 451,026 thousand and 392,197 thousand, respectively.

(i) Ordinary shares

A resolution was passed during the general meeting of shareholders held on June 9, 2022, for the issuance of 150 new shares per one thousand shares, using retained earnings, with an amount totaling \$588,295 thousand. A resolution was passed during the general meeting of shareholders held on August 16, 2021, for the issuance of 20 and 40 new shares, at per one thousand share, using retained earnings and capital surplus, respectively, with an amount totaling \$222,000 thousand. The Company has received the approval from the Financial Supervisory Commission for the above-mentioned capital increase on August 1, 2022, and August 30, 2021, respectively. Also, a resolution was passed during the board meeting, to set October 2, 2022, and October 2, 2021, respectively, as the base date for the stock allotment. The relevant statutory registration procedures have since been completed.

(ii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2022	December 31, 2021
Premium on issuance of capital stock	\$ 12,021	12,021
Donation from shareholders	4,810	3,585
Others	<u>5,770</u>	<u>5,770</u>
	<u><u>\$ 22,601</u></u>	<u><u>21,376</u></u>

(Continued)

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

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

On August 16, 2021, a resolution was approved during the general meetings of the shareholders for the distribution of cash dividends amounting to \$148,000 thousand.

(iii) Retained earnings

In accordance with the Company's Articles of Incorporation, stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. When distributing dividends, the Company determines the stock or cash dividends to be paid. The limit of dividend distribution is maintained between 10% and 100% of current-year earnings distribution. The cash dividends shall not be below 10% of total dividends.

As the Company distributes all or part of dividends, or legal reserve, or capital with cash, the Company should hold a Board meeting to pass the resolution by more than half of the directors present at the Board meeting, which meeting requires a quorum of two thirds of all the directors present. The resolution should be submitted to the Shareholder's meeting.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

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

3) Earnings distribution

Earnings distribution for the years ended December 31, 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on June 9, 2022 and August 16, 2021, also by the boarding meeting held on March 14, 2022 and March 19, 2021, respectively, and the dividends distribution was as follows:

	For the years ended December 31			
	2021		2020	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 2.00	784,393	0.20	74,000
Shares	1.50	<u>588,295</u>	0.20	<u>74,000</u>
Total		<u>\$ 1,372,688</u>		<u>148,000</u>

The amount of cash dividends on the appropriations of earnings for the years ended December 31, 2022, had been approved during the board meeting on March 10, 2023, as follows:

	For the years ended December 31	
	2022	
	Amount per share	Total Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.60	<u>270,616</u>

(iv) Other equity items (net after tax)

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance on January 1, 2022	\$ 155,726
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(25,152)
Balance on December 31, 2022	<u>\$ 130,574</u>
Balance on January 1, 2021	\$ 150,468
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	5,258
Balance on December 31, 2021	<u>\$ 155,726</u>

(Continued)

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

(r) Earnings per share

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

(i) Basic earnings per share

	For the years ended December 31	
	2022	2021
1) Profit attributable to ordinary shareholders of the Company	\$ <u>156,636</u>	<u>1,671,830</u>
2) Weighted-average number of ordinary shares	<u>451,026</u>	<u>451,026</u>

(ii) Diluted earnings per share

	For the years ended December 31	
	2022	2021
1) Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>156,636</u>	<u>1,671,830</u>
2) Weighted-average number of ordinary shares (basic)	451,026	451,026
Effect of restricted employee shares unvested	<u>156</u>	<u>499</u>
Weighted-average number of ordinary shares (diluted)	<u>451,182</u>	<u>451,525</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2022	2021
Primary geographical markets:		
Taiwan	\$ <u>2,369,080</u>	<u>9,653,691</u>
Major products/services lines:		
Sales revenue (sales of real estate)	\$ 2,353,101	9,638,471
Other revenue	<u>15,979</u>	<u>15,220</u>
	<u>\$ 2,369,080</u>	<u>9,653,691</u>
Timing of revenue recognition:		
Revenue transferred over time	\$ 15,979	14,991
Products and services transferred at a point in time	<u>2,353,101</u>	<u>9,638,700</u>
	<u>\$ 2,369,080</u>	<u>9,653,691</u>

(Continued)

RUN LONG CONSTRUCTION CO., LTD.
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(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities – Sales of real estate	\$ 5,654,170	3,267,845	3,308,906
Contract liabilities – Advance receipt	285	264	5,804
Total	<u>\$ 5,654,455</u>	<u>3,268,109</u>	<u>3,314,710</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability – Sales of real estate balance at the beginning of the period were \$236,221 thousand and \$1,372,307 thousand, respectively.

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2022 and 2021.

(t) Employee and directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 0.1% of the profit as employee remuneration and less than 1% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$4,000 thousand and \$27,000 thousand, respectively, and directors' remuneration amounting to \$1,500 thousand and \$10,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as specified in the Company's Articles. If there is difference between the estimated amount and actual distribution of next year, the Company recognizes it in profit and loss of the next year, as a change in accounting estimates. If a resolution is made by the meeting of Board of Directors to distribute employee remuneration by shares, the number of shares to be distributed will be calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. These remunerations were expensed under operating expenses for the years ended 2022 and 2021.

Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for the years ended 2022 and 2021.

(Continued)

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

(u) Non-operating income and expenses

(i) Interest income

The details of interest income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Interest income from construction refundable deposit	\$ 131	2,197
Interest income from bank deposit and bills	9,177	2,398
Others	-	933
	\$ 9,308	5,528

(ii) Other income

The details of other income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Dividend income	\$ 52,666	26,352
Rent income	9,700	8,438
	\$ 62,366	34,790

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Foreign exchange gains (losses)	\$ 931	(87)
Other income	38,114	43,716
Gain on disposals of investment properties	10,960	-
Gain on disposal of property, plant and equipment	7	-
Other expenses	(2,589)	(78)
	\$ 47,423	43,551

(Continued)

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

(iv) Finance costs

The details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest expense		
Bank loans and collateral	\$ 525,099	344,963
Guarantee fees	2,885	16,421
Interest on corporate bond	84,982	83,931
Other financial expenses	2,145	2,282
Less: capitalized interest	<u>(458,242)</u>	<u>(317,522)</u>
	<u>\$ 156,869</u>	<u>130,075</u>

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The most of account receivables of the Company are from sales of real estate department. Receivables generated from sales of real estate department are mostly from individuals, and the payments are usually completed with transferring, check, or loans from the bank, which are considered to have low credit risk and no past-due condition. Thus, the Company evaluates there is no need to recognize loss allowance provision.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
December 31, 2022						
Non derivative financial liabilities:						
Secured bank loans	\$ 21,453,059	22,411,469	9,942,128	8,664,165	3,606,703	198,473
Unsecured bank loans	1,290,000	1,312,915	1,244,624	3,186	65,105	-
Short-term notes and bills payable	751,639	751,700	751,700	-	-	-
Ordinary corporate bonds (including current portion)	9,855,015	10,128,240	77,220	6,005,620	4,045,400	-
Notes payable, accounts payable and other payables	1,728,454	1,728,454	1,728,454	-	-	-
Lease liabilities	101,144	104,730	29,162	58,325	16,519	724
	<u>\$ 35,179,311</u>	<u>36,437,508</u>	<u>13,773,288</u>	<u>14,731,296</u>	<u>7,733,727</u>	<u>199,197</u>

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
December 31, 2021						
Non derivative financial liabilities:						
Secured bank loans	\$ 13,697,139	14,425,891	1,419,123	5,977,050	6,807,073	222,645
Unsecured bank loans	522,000	524,321	524,321	-	-	-
Short-term notes and bills payable	1,236,759	1,237,900	1,237,900	-	-	-
Ordinary corporate bonds (including current portion)	9,851,126	10,123,060	2,079,820	6,020,440	2,022,800	-
Notes payable, accounts payable and other payables	1,916,927	1,916,927	1,916,927	-	-	-
Lease liabilities	128,162	133,892	29,162	58,325	45,607	798
	<u>\$ 27,352,113</u>	<u>28,361,991</u>	<u>7,207,253</u>	<u>12,055,815</u>	<u>8,875,480</u>	<u>223,443</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Company's interest expenses would have increased / decreased by \$113,738 thousand and \$71,137 thousand, respectively, for the years ended December 31, 2022 and 2021, with all other variable factors remaining constant. Taking into account that capitalized interest of profit may decrease or increase by \$29,006 thousand and \$20,673 thousand, respectively. This is mainly due to the Company's borrowing at variable rates.

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

2) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

<u>Price of securities at reporting date</u>	For the years ended December 31			
	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 10%	\$ <u>58,280</u>	<u>-</u>	\$ <u>60,796</u>	<u>-</u>
Decreasing 10%	\$ <u>(58,280)</u>	<u>-</u>	\$ <u>(60,796)</u>	<u>-</u>

(iv) Information of fair value

1) Valuation techniques for financial instruments measured at fair value

The fair value of financial assets and liabilities at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2022				
	<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 582,804	582,804	-	-	582,804
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 925,890	-	-	-	-
Notes and accounts receivable	1,339,245	-	-	-	-
Other receivables	587	-	-	-	-
Other financial assets – current	1,862,349	-	-	-	-
Other financial assets – non-current	3,567,056	-	-	-	-
Subtotal	7,695,127	-	-	-	-
Total	\$ <u>8,277,931</u>	<u>582,804</u>	<u>-</u>	<u>-</u>	<u>582,804</u>

(Continued)

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

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term loans	\$ 22,424,135	-	-	-	-
Short-term notes and bills payable	751,639	-	-	-	-
Notes payable, accounts payable and other payables	1,728,454	-	-	-	-
Lease liabilities	101,144	-	-	-	-
Corporate bonds payable	9,855,015	-	-	-	-
Long-term loans (including current portion)	318,924	-	-	-	-
Total	\$ 35,179,311	-	-	-	-
	December 31, 2021				
	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
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,438,780	-	-	-	-
Notes and accounts receivable	374,941	-	-	-	-
Other receivables	27,325	-	-	-	-
Other financial assets – current	3,100,544	-	-	-	-
Other financial assets – non-current	2,594,918	-	-	-	-
Subtotal	7,536,508	-	-	-	-
Total	\$ 8,144,464	607,956	-	-	607,956
Financial liabilities measured at amortized cost					
Short-term loans	\$ 13,874,657	-	-	-	-
Short-term notes and bills payable	1,236,759	-	-	-	-
Notes payable, accounts payable and other payables	1,916,927	-	-	-	-
Lease liabilities	128,162	-	-	-	-
Corporate bonds payable (including current portion)	9,851,126	-	-	-	-
Long-term loans (including current portion)	344,482	-	-	-	-
Total	\$ 27,352,113	-	-	-	-

(Continued)

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

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Fair values and extents of financial instruments quoted in active markets are listed as follows:

i) Fair value of listed stocks and corporate bonds are determined by market prices, for they are issued with standard terms and conditions, and are quoted in active markets.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate. Structured Interest Rate Derivatives financial instruments are based on appropriate option pricing models (such as the Black – Scholes model) or other evaluation methods.

The discounted cash flow method is used to estimate the fair value. The main assumptions are considering the probability of occurrence based on the surplus before the tax, interest, depreciation and amortization to estimate the price to be paid, and are estimated as the present value after discounting, whose discount rate is adjusted based on the risk.

3) Transfers between levels

Stock held by the Company quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques for the years ended December 31, 2022 and 2021. There is no transfer between levels measured at fair value for the years ended December 31, 2022 and 2021.

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

(w) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

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

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Account and other receivables

The Company's credit risk is affected by its clients. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed by the masses with transferring, check, or loans from the bank.

The Company discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt impairment loss account. Allowance for bad debt impairment loss account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

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

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. On December 31, 2022 and 2021, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(x) Capital management

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

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, or issue new shares.

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

As of 2022, the Company's capital management strategy is consistent with the prior year as of 2021. The gearing ratio is maintained so as to ensure financing at reasonable cost. The Company's debt-to-equity ratio as of December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 41,200,269	31,064,991
Less: cash and cash equivalents	<u>(925,890)</u>	<u>(1,438,780)</u>
Net debt	40,274,379	29,626,211
Total Equity	<u>6,023,327</u>	<u>6,675,011</u>
Total capital and equity	<u>\$ 46,297,706</u>	<u>36,301,222</u>
Debt-to-equity ratio	<u>87%</u>	<u>82%</u>

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

- (y) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follows:

- (i) By the lease to get the right-of-use asset, please refer to notes 6(g).

(7) Related-party transactions:

- (a) Parent company and ultimate controlling company

On December 31, 2022 and 2021, Guang Yang Investment Co., Ltd. (Guang Yang) is the parent company of the Company and owns 6.37% and 6.13% of all shares outstanding of the Company, respectively. Chyi Yuh Construction Co., Ltd. is the parent company of Guang Yang. Highwealth Construction Corp. is the ultimate controlling party of the Company and has issued the Consolidated Financial Statements available for Public Use.

- (b) Names and relationship with related party

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Guang Yang Investment Co., Ltd.	Parent company of the Company
Chyi Yuh Construction Co., Ltd.	Parent company of Guang Yang Investment Co., Ltd.
Highwealth Construction Corp. (Highwealth)	Ultimate controlling company of the Company
Well Rich International Co., Ltd.	Same ultimate controlling company with the Company
Bo Yuan Construction Co., Ltd. (Bo Yuan)	"
Highwealth Real Estate Co., Ltd.	"
Ju Feng Hotel Management Consultant Co., Ltd. (Ju Feng)	"
Jin Jyun Construction Co., Ltd	Subsidiary Company
Da Li Investment Co., Ltd.	Same president with the Company
○○, Chen	Key management personnel of the ultimate controlling company of the Company
○○, Ye	Relatives by blood within the second degree of relationship of key management personnel of the Company
○○, Ciou	Relatives by blood within the second degree of relationship of key management personnel of the Company

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

(c) Significant transactions with related parties

(i) Operating revenues

The amounts of significant sales by the Company to related parties were as follows:

	Revenue		Contract liabilities-sales of real estate	
	For the years ended December 31		December 31,	December 31,
	2022	2021	2022	2021
○○, Ye	\$ -	-	2,438	1,528
○○, Ciou	-	-	2,150	-
	\$ -	-	4,588	1,528

As of December 31, 2022 and 2021, the total amount of the contract of sales to the related parties are \$32,078 thousand, and \$17,088 thousand (VAT included) respectively.

The prices were based on the Company's Employee Purchase Benefit Policy, and the terms of receiving payment were not materially different from those of non-related parties.

(ii) Purchase

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

	Purchase (charged)	
	For the years ended December 31	
	2022	2021
Parent company:		
Chyi Yuh	\$ 174,989	376,780
Subsidiary company:		
Jin Jyun	4,697,710	2,987,553
Other related parties	159	19,914
	\$ 4,872,858	3,384,247

There were no significant differences of the price and conditions for related parties and ordinary contract mentioned above.

(Continued)

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

- 2) The Company commissioned related parties to administer construction properties. Administration fees were as follows:

	Expense paid	
	For the years ended December 31	
	2022	2021
Subsidiary company : Jin Jyun	\$ 2,750	-
Parent company : Highwealth	-	4,667
Other related parties	6,548	2,398
	\$ 9,298	7,065

- (iii) Payables to related parties

The payables to related parties were as follows:

Accounted items	Categories	December 31, 2022	December 31, 2021
Accounts payable	Parent company – Chyi Yuh	\$ 55,927	153,274
"	Subsidiary company – Jin Jyun	555,304	557,514
"	Other related parties	5,288	23,565
Other payables	Other related parties	7,848	4,596
		\$ 624,367	738,949

- (iv) Guarantees

The subsidiary Jin Jyun Co., Ltd provided guarantees to the Company for bank financing. As of December 31, 2022 and 2021, the guarantees balance was \$1,000,000 thousand and \$600,000 thousand, respectively, and the amount spent was \$0 and \$450,000 thousand, respectively.

- (v) Leases

The leases between the Company and related parties were as follows:

- 1) Rent income

	Guarantee deposit		Rent income	
	For the years ended December 31		For the years ended December 31	
	December 31, 2022	December 31, 2021	2022	2021
Parent company	\$ -	-	57	57
Other related parties:				
Bo Yuan	1,378	1,378	7,902	6,749
Other related parties	-	-	41	47
	\$ 1,378	1,378	8,000	6,853

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RUN LONG CONSTRUCTION CO., LTD.
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2) Rent expense

	<u>Refundable deposits</u>		<u>Rent expense</u>	
			<u>For the years ended December 31</u>	
	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>2022</u>	<u>2021</u>
Parent company				
– Highwealth	\$ -	-	4,677	2,906
Other related parties				
– Bo Yuan	140	140	777	940
	<u>\$ 140</u>	<u>140</u>	<u>5,454</u>	<u>3,846</u>

(vi) Others

- 1) As of December 31, 2022 and 2021, the Company's contracts with related parties for construction cooperation were as follows:

<u>Property</u>	<u>Land owner</u>			<u>Refundable deposit</u>
	<u>/Investor</u>	<u>Type</u>	<u>Portion</u>	
<u>December 31, 2022</u>				
Shr Jeng Ai Yue (Huei An Section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000 Refundable notes \$ 200,000
<u>Property</u>	<u>Land owner</u>			<u>Refundable deposit</u>
	<u>/Investor</u>	<u>Type</u>	<u>Portion</u>	
<u>December 31, 2021</u>				
Shr Jeng Ai Yue (Huei An Section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000 Refundable notes \$ 200,000

- 2) The Company received guarantee notes were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Parent company – Chyi Yuh	\$ 70,218	85,418
Subsidiary company – Jin Jyun	9,682	17,779
	<u>\$ 79,900</u>	<u>103,197</u>

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

- 3) The Company commissioned related parties to sell real estate. Related consulting fees and commission and sales expense were as follows:

	Expense paid	
	For the years ended December 31	
	2022	2021
Parent company	\$ -	105
Other related parties:		
Ju Feng	18,117	23,094
Other related parties	3,269	2,183
	\$ 21,386	25,382

- (d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2022	2021
	Short-term employee benefits	\$ 19,436

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Financial assets at FVOCI— current	Bank loans	\$ 529,744	607,956
Notes receivable	Bank loans and bonds	190,830	231,552
Other financial assets	Trust account, performance bonds, bank loans and bonds	4,921,671	5,232,732
Inventories (construction)	Bank loans, short-term notes and bills payable and bonds	34,716,095	22,790,245
Investment property	Long-term borrowings, bank loans, short-term notes and bills payable and bonds	912,639	755,059
		\$ 41,270,979	29,617,544

As of December 31, 2022 and 2021, the book value of pledged assets providing undrawn guaranteed loan are \$282,171 thousand and \$65,752 thousand, respectively. As of December 31, 2022 and 2021, the Company provided notes receivable of presale cases \$2,215,071 thousand and \$1,536,234 thousand, as collateral for the bank loans, respectively.

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

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

- (i) Amount of signed contract and received amount from contracts for construction released, for properties sold in advance and sold after completion were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Amounts of signed contracts	\$ <u>47,726,441</u>	<u>32,748,085</u>
Received amount from contracts	\$ <u>5,654,170</u>	<u>3,267,845</u>
Outstanding checks received from presale cases	\$ <u>2,543,260</u>	<u>2,159,217</u>

- (ii) As of December 31, 2022 and 2021, the refundable deposits paid, through cooperation with the land owners, amounted both were \$425,000 thousand; the refundable notes submitted amounts both were \$220,000 thousand.
- (iii) As of December 31, 2022 and 2021, the contract price of administer services the Company provided to joint investors both were \$14,286 thousand, the amounts received both were \$11,429 thousand.
- (iv) Unrecognized commitments generated by signing contracts for purchasing inventories were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Acquisition of inventory (construction)	\$ <u>-</u>	<u>2,768,959</u>

(10) Losses due to major disasters:None

(11) Subsequent events:None

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

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the years ended December 31					
		2022			2021		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		1,181	71,016	72,197	2,266	112,526	114,792
Labor and health insurance		137	8,368	8,505	233	7,990	8,223
Pension		70	3,236	3,306	117	3,095	3,212
Remuneration of directors		-	4,380	4,380	-	12,280	12,280
Others		180	9,225	9,405	289	8,771	9,060
Depreciation		9,442	34,603	44,045	6,626	34,124	40,750
Amortization		-	1,798	1,798	-	1,661	1,661

For the year ended December 31, 2022 and 2021, the information on the number of employees and employee benefit expense of the Company is as follows:

	For the years ended December 31	
	2022	2021
Number of employees	<u>99</u>	<u>100</u>
Number of directors who were not employees	<u>5</u>	<u>4</u>
The average employee benefit	<u>\$ 994</u>	<u>1,409</u>
The average employee salary	<u>\$ 768</u>	<u>1,196</u>
Percentage of average employee salary expense	<u>(35.79)%</u>	<u>60.97 %</u>
Remuneration to supervisors	<u>\$ -</u>	<u>-</u>

The item of the Company's salary and remuneration about directors, independent director, managers, and employees are as follows:

- (i) independent directors
- 1) Regardless of the Company's profit or loss, independent directors' salary and remuneration need to be paid in monthly basis (or quarterly, half yearly) and be adjusted according to the value of his/her participation in the contribution to Company's operation.
 - 2) The independent directors cannot participate in the distribution of director's compensation and other bonus distribution.

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

(ii) Other directors

- 1) The Company pays other directors' remuneration, according to the value of his/her participation in the contribution to Company's operation and refer to peer remuneration levels.
- 2) Other directors' remuneration is allocated at a rate specified in the Company's articles of incorporation.
- 3) According to the needs of the actual execution of the business, the Company has to pay for the traffic allowance.

(iii) Managerial officer

- 1) The monthly fixed salary is determined by salary level of each rank.
- 2) According to the result of the operation performance assessment, the Company distributes the performance bonus.
- 3) Year-end bonuses will be issued based on the results of employee performance appraisal.
- 4) Employees' remuneration is allocated at a rate specified in the Company's articles of incorporation.
- 5) Traffic allowance and supervisor allowance are paid in accordance to duties and standards.

(iv) Other employees:

The salary of the Company's employees is handled in accordance with the regulations of the "post ranks table" and "post salary benchmark table". The employee salary is divided into recurring and non-recurring salaries.

- 1) Recurring salaries include basic salaries, duties allowance, construction site allowance, professional allowance, meal allowance and other allowance.
- 2) Non-recurring salaries include overtime pay, Dragon Boat festival bonus, Mid-Autumn Festival bonus and year-end bonus.

(b) Other

Regarding the fraud allegations against TSAI, TSUNG-PIN, the chairman of the Company, in connection with the Kuobin Dayuan case, the Taipei District Prosecutors Office decided not to prosecute TSAI, TSUNG-PIN and others on December 21, 2016. However, after the plaintiff requested a review and the Taiwan High Prosecutors Office revoked the non-prosecution decision, the prosecutor filed charges of ordinary fraud against TSAI, TSUNG-PIN on January 5, 2023. The case is now being tried by the Taipei District Court, and the Company assesses that the aforementioned event has no significant impact on the financial operations of the Company.

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties:

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	Jin Jyun Construction Co., Ltd.	The company	3	1,204,665	1,000,000	1,000,000	-	1,000,000	16.60 %	3,011,664	N	Y	N

Note 1: The numbering is as follows:

- 1) “0” represents the company
- 2) Investees are sequentially numbered from 1 by company

Note 2: The relationship between the guarantee and the guarantor are as follows:

- 1) Transactions between the companies.
- 2) The Company directly or indirectly holds more than 50% voting right.
- 3) When other companies directly or indirectly hold more than 50% voting rights of the Company.
- 4) The Company directly or indirectly holds more than 90% voting right.
- 5) A company that is mutually protected under contractual requirements based on the needs of the contractor.
- 6) A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
- 7) Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

Note 3: The Company endorsed the operation method for the total amount of guarantees and the limit for endorsement of a single enterprise:

- 1) The aggregate amount of endorsements and guarantees endorsed by the company and its subsidiaries shall not exceed 50% of the net value of the Company.
- 2) The aggregate amount of endorsements and guarantees endorsed by the company and its subsidiaries for a single enterprise shall not exceed 20% of the net value of the Company.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock- Highwealth Construction Corp.	Ultimate parent controlling of the Company	Financial assets at fair value through other comprehensive income- current	14,461,638	582,804	0.84 %	582,804	

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

(Continued)

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

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chyi Yuh Construction Co., Ltd.	Parent company of the Company	Contracting project	174,989	1.83%		-		(55,927)	(5.05)%	Note 2
The Company	Jin Jyun Construction Co., Ltd.	Subsidiary of the Company	Contracting project management fee	4,700,460	49.10%		-		(555,304)	(50.18)%	Note 2
Jin Jyun Construction Co., Ltd.	The Company	Parent company	Contracted project management responsibility	(4,906,282)	(97.68)%		-		555,304	96.89%	Note 1

Note 1: The contracted company recognizes its construction revenue through percentage of completion method, and the amount of sales included.

Note 2: The contracting company records its import price through estimates of amount of purchase through number of trials.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Jin Jyun Construction Co., Ltd.	The Company	Parent company	555,304	8.82	-	-	438,327	-

- (ix) Trading in derivative instruments: None.

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
Run Long Construction Co., Ltd.	Stock- Jin Jyun Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	718,300	518,300	70,000,000	100.00 %	580,477	103,845	(49,802)	

- (c) Information on investment in mainland China: None.

(Continued)

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Ching Shr Ban Investment Co., Ltd.		44,419,740	9.84 %
Shing Ri Sheng Investment Co., Ltd.		33,074,642	7.33 %
Ruen Ying Investment Co., Ltd.		33,058,302	7.32 %
Guang Yang Investment Co., Ltd.		28,759,103	6.37 %
Highwealth Construction Corp.		27,289,288	6.05 %
Wan Sheng Fa Investment Co., Ltd.		26,103,040	5.78 %
Feng Rau Investment Co., Ltd.		24,426,382	5.41 %
Chyi Yuh Construction Co., Ltd.		23,095,755	5.12 %

(14) Segment information:

Please refer to the consolidated financial statements.

RUN LONG CONSTRUCTION CO., LTD.**Statement of cash and cash equivalents****December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

For the relevant information, please refer to Note 6(a).

Statement of other current financial assets

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Bank deposit	Trust account 、 performance guarantee 、 reserve account and certificate of deposit	\$ 1,356,012	
Construction refundable deposit	Joint construction security deposit	<u>506,337</u>	
		<u>\$ 1,862,349</u>	

RUN LONG CONSTRUCTION CO., LTD.

Statement of inventories (for construction business)

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Land held for construction sites	Dean section 939、934 Land Numbers, Zhongshan District, Keelung City	\$ 674,699	
	Others	<u>27,235</u>	
		<u>701,934</u>	
Construction in progress	Meng Yue Cheng	2,859,357	
	Xin Heng Bing-Xing Ye District	3,361,021	
	VVS1	2,754,148	
	Jing An Wen Hui	291,681	
	Xin Nan Section, Tainan City	1,564,751	
	Juke Run-Long	5,166,996	
	Wanfeng Section, Taipei City	3,202,056	
	Shuhoyuan	2,354,191	
	Shicheng Aiyue	2,804,777	
	GuoGia Da Yuan	6,190,366	
	Shan Jie Section, Taoyuan City	1,912,342	
	Other engineerings	<u>35,527</u>	
		<u>32,497,213</u>	
Properties and land held for sale	Kuobin Dayuan	253,478	
	Kuobin Kuandi	166,805	
	Bokelai Park	26,922	
	Taichung Dibao	487,823	
	National Trading Center	119,851	
	Xing Heng Bing-Shang Ye District	685,838	
	Wenhua Run Long	<u>90,862</u>	
		<u>1,831,579</u>	
Total		<u>\$ 35,030,726</u>	

RUN LONG CONSTRUCTION CO., LTD.

Statement of other non-current financial assets

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Bank Deposit	Reserve account and performance guarantee	\$ 3,565,658	
Refundable deposit	Guarantee deposit of rental and office, etc.	<u>1,398</u>	
		<u><u>\$ 3,567,056</u></u>	

**Statement of changes in property, plant and
equipment**

For the year ended December 31, 2022

For the relevant information, please refer to Note 6(f).

**Statement of changes in accumulated depreciation of
property, plant and equipment**

For the relevant information, please refer to Note 6(f).

RUN LONG CONSTRUCTION CO., LTD.

Statement of short-term borrowings

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Type of borrowings</u>	<u>Description</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Range of interest rates</u>	<u>Mortgages</u>	<u>Note</u>
Secured loan	Financial institution	\$ 3,667,105	2018.06.22~2023.06.22	Note 1	Construction in progress 、 land held for construction sites 、 properties and land held for sale and investment property	
	Financial institution	1,233,000	2021.11.09~2026.11.09		Construction in progress	
	Financial institution	1,522,800	2018.10.15~2025.11.11		Construction in progress	
	Financial institution	1,590,000	2021.10.18~2027.11.24		Construction in progress	
	Financial institution	38,000	2022.06.27~2027.05.03		Construction in progress	
	Financial institution	3,388,916	2022.01.26~2023.06.12		Construction in progress	
	Financial institution	596,000	2022.03.29~2027.03.29		Construction in progress	
	Financial institution	4,100,000	2020.02.15~2025.02.15		Construction in progress	
	Financial institution	1,662,996	2020.09.01~2025.09.01		Construction in progress	
	Financial institution	1,989,900	2019.05.15~2025.11.10		Construction in progress	
	Financial institution	25,418	2021.07.21~2024.07.19		properties and land held for sale and investment property	
	Financial institution	100,000	2022.11.07~2023.01.06		Other current financial assets	
	Financial institution	300,000	2022.12.30~2023.03.30		Financial assets at fair value through other comprehensive income	
	Financial institution	400,000	2022.11.18~2023.11.18		Notes receivable	
	Financial institution	<u>520,000</u>	2022.12.29~2023.03.30		Notes receivable	
		<u>21,134,135</u>				
Unsecured loan	Financial institution	100,000	2022.09.28~2023.03.28	Note 2	-	
	Financial institution	63,000	2022.06.13~2027.03.29		-	
	Financial institution	200,000	2022.09.20~2023.03.20		-	
	Financial institution	150,000	2022.11.24~2023.01.10		-	
	Financial institution	<u>777,000</u>	2022.10.28~2023.10.28		-	
	Financial institution	<u>1,290,000</u>				
		<u>\$ 22,424,135</u>				

Note 1: The range of secured loan 2.11%~3.40%.

Note 2: The range of unsecured loan 1.93%~2.53%.

RUN LONG CONSTRUCTION CO., LTD.

Statement of contract liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Advance real estate receipts	Xin Heng Bing-Shang Ye District	\$ 242,757	
	Xin Heng Bing-Xing Ye District	1,317,414	
	Juke Run-Long	1,299,984	
	Shuhoyuan	392,827	
	GuoGia Da Yuan	1,317,109	
	Shicheng Aiyue	576,985	
	Meng Yue Cheng	162,374	
	VVS1	326,290	
	Others	18,430	
	Advance incomes	Others	<u>285</u>
		<u>\$ 5,654,455</u>	

RUN LONG CONSTRUCTION CO., LTD.

Statement of bonds payable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of bonds	Trustee	Date of issuance	Date of interest paid	Interest rate	Amount					Method for repayment	Mortgages
					Total amount of issuance	Amount paid at maturity	Balance on December 31, 2022	Amount unamortized	Carrying amount		
Corporate bonds 106-1	Financial institution	2017.08.23	Yearly	0.98 %	\$ 2,000,000	(2,000,000)	-	-	-	Paid at maturity	
Corporate bonds 108-1	Financial institution	2019.04.02	Yearly	0.85 %	2,000,000	-	2,000,000	(5,557)	1,994,443	Paid at maturity	Other non-current financial assets
Corporate bonds 108-2	Financial institution	2019.04.02	Yearly	0.85 %	2,000,000	-	2,000,000	(6,046)	1,993,954	Paid at maturity	Other non-current financial assets
Corporate bonds 108-3	Financial institution	2019.12.24	Yearly	0.78 %	1,900,000	-	1,900,000	(23,397)	1,876,603	Paid at maturity	Properties and land held for sale and other non-current financial assets
Corporate bonds 110-1	Financial institution	2021.11.10	Yearly	0.57 %	2,000,000	-	2,000,000	(7,617)	1,992,383	Paid at maturity	Other non-current financial assets
Corporate bonds 111-1	Financial institution	2022.04.11	Yearly	0.85 %	2,000,000	-	2,000,000	(2,368)	1,997,632	Paid at maturity	Notes receivable and other non-current financial assets
					<u>\$ 11,900,000</u>	<u>(2,000,000)</u>	<u>9,900,000</u>	<u>(44,985)</u>	<u>9,855,015</u>		

RUN LONG CONSTRUCTION CO., LTD.

Statement of long-term borrowings

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Summary</u>	<u>Amount of loan</u>	<u>Contract period</u>	<u>Range of interest rates</u>	<u>Mortgages</u>	<u>Note</u>
Financial institution	Secured loan	\$ 318,924	2019.01.15~2034.01.15	2.04%	Investment property	
	Less: current portion	<u>(25,525)</u>				
		<u>\$ 293,399</u>				

Statement of operating revenue

For the year ended December 31, 2022

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Land revenue	Xin Heng Bing-Shang Ye District, Wenhua Run Long, Taichung Dibao, Kuobin Dayue, etc.	\$ 970,594	
Building revenue	//	<u>1,382,507</u>	
Subtotal		<u>2,353,101</u>	
Rental revenue	Leases of investment property	<u>15,979</u>	
Total		<u>\$ 2,369,080</u>	

RUN LONG CONSTRUCTION CO., LTD.

Statement of operating costs

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Land cost	Xin Heng Bing-Shang Ye District, Wenhua Run Long, Taichung Dibao, Kuobin Dayue, etc.	\$ 378,354	
Building cost	"	<u>1,176,456</u>	
Subtotal		<u>1,554,810</u>	
Rental cost	Depreciation expense of Investment properties	<u>9,434</u>	
Total		<u><u>\$ 1,564,244</u></u>	

Statement of selling expenses

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 24,282	
Rental		11,574	
Postage and phone/Fax expense		1,126	
Advertising		52,358	
Utilities		3,652	
Entertainment		2,347	
Employee benefit		3,011	
Board expense		901	
Commission		134,708	
Labor insurance		1,478	
Health insurance		998	
Travel Expense		1,270	
Other expenses		<u>10,377</u>	
		<u><u>\$ 248,082</u></u>	

RUN LONG CONSTRUCTION CO., LTD.

Statement of administrative expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 54,350	
Rental		1,063	
Repair and maintenance		4,677	
Entertainment		4,007	
Tax		67,767	
Donation		2,000	
Depreciation		34,178	
Amortization		1,797	
Board expense		1,258	
Utilities		1,261	
Employee benefit		3,972	
Charge of service		9,804	
Labor insurance		2,140	
Health insurance		3,752	
Other expenses		71,436	
		<u>\$ 263,462</u>	

RUN LONG CONSTRUCTION CO., LTD.**Statement of other income****For the year ended December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

For the relevant information, please refer to Note 6(u).

Statement of other gains and losses, net

For the relevant information, please refer to Note 6(u).

Statement of finance costs

For the relevant information, please refer to Note 6(u).