

**RUN LONG CONSTRUCTION CO., LTD.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

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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.

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material accounting policies	9~22
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	22~23
(6) Explanation of significant accounts	23~46
(7) Related-party transactions	46~50
(8) Pledged assets	51
(9) Commitments and contingencies	51
(10) Losses due to major disasters	52
(11) Subsequent events	52
(12) Other	52~53
(13) Other disclosures	
(a) Information on significant transactions	54~55
(b) Information on investees	56
(c) Information on investment in mainland China	56
(d) Major shareholders	56
(14) Segment information	56
9. List of major account titles	57~66



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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, 2023 and 2022, 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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, 2023. 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. Appropriateness of the timing of revenue recognition from building and land sales

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, is recognized its sales revenue upon the transfer of ownership of the real estate and the actual delivery of the housing unit. Since there is a large number of sales of premises in the construction industry, in order to confirm the validity of the timing of the sales revenue recognition, the Company needs to examine the transfer of ownership and delivery housing data for all of transaction to recognize the sales revenue, which usually involves tremendous manual efforts. 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.
- Perform substantive tests, sample inspections of sales contracts and real estate ownership transfer documents, and check sales data and general ledger details.
- 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

The inventory of Company is an important asset for operations, and its amount accounts for 59% of the total assets; the inventory evaluation is handled in accordance with the International Accounting Standards Bulletin No. 2, if the net realizable value evaluation is inappropriate, it will cause false expression in financial reports. Therefore, the inventory evaluation test is one of the important evaluation items for the accountant to perform the Company's financial report audit.

### 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 Han, Yi-Lien and Tseng, Kuo-Yang.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2024

#### **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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Operating Revenues</b> (notes 6(n) and (s)):					
4511	Construction revenue	\$ 30,574,496	100	2,353,101	99
4800	Other operating revenue	18,423	-	15,979	1
		<u>30,592,919</u>	<u>100</u>	<u>2,369,080</u>	<u>100</u>
5000	<b>Operating costs</b> (note 7)	<u>19,587,114</u>	<u>64</u>	<u>1,564,244</u>	<u>66</u>
	<b>Gross profit from operations</b>	<u>11,005,805</u>	<u>36</u>	<u>804,836</u>	<u>34</u>
<b>Operating expenses:</b>					
6100	Selling expenses (notes 6(i) and 7)	1,447,617	5	248,082	10
6200	Administrative expenses (notes 6(t) and 7)	250,448	1	263,462	11
		<u>1,698,065</u>	<u>6</u>	<u>511,544</u>	<u>21</u>
	<b>Operating income</b>	<u>9,307,740</u>	<u>30</u>	<u>293,292</u>	<u>13</u>
<b>Non-operating income and expenses: (notes 6(u) and 7)</b>					
7100	Interest income	43,183	-	9,308	-
7010	Other income	17,870	-	62,366	3
7020	Other gains and losses	21,905	-	47,423	2
7050	Finance costs	(218,536)	(1)	(156,869)	(7)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	168,977	1	(49,802)	(2)
		<u>33,399</u>	<u>-</u>	<u>(87,574)</u>	<u>(4)</u>
	<b>Profit from continuing operations before tax</b>	9,341,139	30	205,718	9
7950	<b>Less: Income tax expenses</b> (note 6(p))	<u>1,639,593</u>	<u>5</u>	<u>49,082</u>	<u>2</u>
	<b>Profit</b>	<u>7,701,546</u>	<u>25</u>	<u>156,636</u>	<u>7</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8316	Unrealized gains from (loss on) investments in equity instruments measured at fair value through other comprehensive income	55,113	-	(25,152)	(1)
8300	<b>Other comprehensive income (net after tax)</b>	<u>55,113</u>	<u>-</u>	<u>(25,152)</u>	<u>(1)</u>
8500	<b>Total comprehensive income</b>	<u>\$ 7,756,659</u>	<u>25</u>	<u>131,484</u>	<u>6</u>
<b>Earnings per share (note 6(r))</b>					
9750	Basic earnings per share (NT dollars)	\$	<u>17.08</u>	\$	<u>0.35</u>
	Diluted earnings per share (NT dollars)	\$	<u>17.07</u>	\$	<u>0.35</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, 2023 and 2022****(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	
<b>Balance on January 1, 2022</b>	\$ 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
Profit	-	-	-	7,701,546	7,701,546	-	7,701,546
Other comprehensive income	-	-	-	-	-	55,113	55,113
Total comprehensive income	-	-	-	7,701,546	7,701,546	55,113	7,756,659
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	15,663	(15,663)	-	-	-
Cash dividends of ordinary share	-	-	-	(270,616)	(270,616)	-	(270,616)
Other changes in capital surplus	-	1,253	-	-	-	-	1,253
<b>Balance on December 31, 2023</b>	<b>\$ 4,510,261</b>	<b>23,854</b>	<b>1,084,122</b>	<b>7,706,699</b>	<b>8,790,821</b>	<b>185,687</b>	<b>13,510,623</b>

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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 9,341,139	205,718
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	52,837	44,045
Amortization	2,060	1,798
Interest expense	218,536	156,869
Interest income	(43,183)	(9,308)
Dividend income	(7,231)	(52,666)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	(168,977)	49,802
Gain on disposal of property, plant and equipment	(768)	(7)
Gain on disposal of investment properties	-	(10,960)
Gain on lease modifications	(2)	(8)
<b>Total adjustments to reconcile profit (loss)</b>	<u>53,272</u>	<u>179,565</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in notes receivable	(434,921)	168,865
Decrease (increase) in accounts receivable	1,060,999	(1,133,169)
Decrease in other receivables	338	26,744
Decrease (increase) in inventories (construction)	11,101,327	(8,012,451)
Decrease (increase) in prepayments	473,029	(224,033)
Decrease (increase) in other current assets	8,040	(9,206)
Increase in other financial assets—current	(1,004,842)	(302,362)
Decrease (increase) in assets recognized as incremental costs to obtain contract with customers	634,117	(629,867)
Decrease (increase) in other financial assets—non-current	(55)	4,372
<b>Total changes in operating assets</b>	<u>11,838,032</u>	<u>(10,111,107)</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in contract liabilities	(3,118,346)	2,386,346
Decrease in notes payable	-	(3,674)
Increase in accounts payable	286,748	26,484
Decrease in accounts payable to related parties	(25,012)	(117,834)
Increase (decrease) in other payables	198,425	(120,911)
Increase in provisions	60	161
Increase (decrease) in other current liabilities	(143,989)	242,917
<b>Total changes in operating liabilities</b>	<u>(2,802,114)</u>	<u>2,413,489</u>
<b>Total changes in operating assets and liabilities</b>	<u>9,035,918</u>	<u>(7,697,618)</u>
<b>Total adjustments</b>	<u>9,089,190</u>	<u>(7,518,053)</u>
Cash inflow (outflow) generated from operations	18,430,329	(7,312,335)
Income taxes paid	(235,321)	(370,426)
<b>Net cash flows from (used in) operating activities</b>	<u>18,195,008</u>	<u>(7,682,761)</u>

(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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows used in investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(5,800)	-
Acquisition of investments accounted for using equity method	(1,000,000)	(200,000)
Acquisition of property, plant and equipment	(3,384)	(2,054)
Proceeds from disposal of property, plant and equipment	1,143	7
Acquisition of intangible assets	(2,025)	(2,815)
Proceeds from disposal of investment properties	-	39,507
Interest received	42,118	9,171
Dividends received	101,231	124,666
<b>Net cash flows used in investing activities</b>	<u>(866,717)</u>	<u>(31,518)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	6,853,000	15,093,516
Decrease in short-term borrowings	(20,181,216)	(6,547,800)
Increase in short-term notes and bills payable	11,102,900	4,772,300
Decrease in short-term notes and bills payable	(10,227,600)	(5,258,500)
Proceeds from issuing bonds	-	2,000,000
Repayments of bonds	-	(2,000,000)
Repayments of long-term borrowings	(25,410)	(25,558)
Other financial assets – current	(2,277,161)	1,682,052
Other financial assets – non-current	(260,708)	(1,117,874)
Payment of lease liabilities	(29,691)	(27,010)
Cash dividends paid	(270,616)	(784,393)
Interest paid	(735,324)	(585,344)
<b>Net cash flows from (used in) financing activities</b>	<u>(16,051,826)</u>	<u>7,201,389</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,276,465	(512,890)
<b>Cash and cash equivalents at beginning of period</b>	925,890	1,438,780
<b>Cash and cash equivalents at end of period</b>	<u>\$ 2,202,355</u>	<u>925,890</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.**

**Notes to the Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(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 13, 2024.

**(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, 2023:

- 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”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(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 Company does not expect the following 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”
- 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”
- Amendments to IAS21 “Lack of Exchangeability”

**(4) Summary of material 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;

(Continued)

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

- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The 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 a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; or Fair value through other comprehensive income (FVOCI) –equity investment. 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.

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

On initial recognition of an equity investment that is not held for trading, the 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.

(Continued)

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

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.

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.

(Continued)

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

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.

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.

(Continued)

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

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

4) Derecognition of financial liabilities

The 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.

(Continued)

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

(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.

(Continued)

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

(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

(Continued)

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

- 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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**RUN LONG CONSTRUCTION CO., LTD.**  
**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.

(Continued)

## RUN LONG CONSTRUCTION CO., LTD.

### Notes to the Financial Statements

(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:

(Continued)

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

1) Land development and sale of real estate

The Company develops and sells residential properties and usually sales properties in advance during construction. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Company due to contractual restrictions. Therefore, revenue is recognized at a point in time either when the legal title has passed to the customer or at the date on the property has actually transferred to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the transaction price is adjusted for the effects of a significant financing component if the agreement are including a significant financing component. For preselling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project.

2) Financing components

The Company assesses whether the financial factors are significant at the contract level in accordance with IFRS15 Application Guidance - The Real Estate Industry, wherein the calculations can be made on a case-by-case basis. After the Company has taken into account the industry characteristics and market borrowing rates, it determines that the financial factors are considered material when they account for more than 5% of the total contract price. The Company expects that (i) the financing components are not substantiative 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.

(Continued)

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

(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 at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (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

(Continued)

## RUN LONG CONSTRUCTION CO., LTD.

### Notes to the Financial Statements

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

(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.

(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.

(Continued)

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand and petty cash	\$ 410	337
Demand Deposits (including foreign currency)	2,201,945	925,553
Cash and cash equivalents	<b>\$ 2,202,355</b>	<b>925,890</b>

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

(Continued)

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic market	\$ <u>643,717</u>	<u>582,804</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, 2023 and 2022, the dividends of \$7,231 thousand and \$52,666 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, 2023 and 2022.

- (ii) For credit risk (including the impairment of the debt investment) 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, 2023</u>	<u>December 31, 2022</u>
Note receivable	\$ 629,541	194,620
Trade receivables—measured as amortized cost	<u>83,626</u>	<u>1,144,625</u>
Total	\$ <u>713,167</u>	<u>1,339,245</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, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance Provision</u>
Current	\$ <u>713,167</u>	-	<u>-</u>

(Continued)

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

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

For the years ended December 31, 2023 and 2022, there are no expected credit losses recognized or reversed.

As of December 31, 2023 and 2022, note receivables had been pledged as collateral; please refer to note 8.

(d) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Land held for construction sites	\$ 701,934	701,934
Construction in progress	21,509,151	32,497,213
Properties and land held for sale	2,044,160	1,831,579
Total	<b>\$ 24,255,245</b>	<b>35,030,726</b>

For the years ended December 31, 2023 and 2022, the cost of inventory recognized as cost of goods sold and expense were \$19,569,881 thousand and \$1,554,810 thousand, respectively. For the years ended December 31, 2023 and 2022, there were no write-offs or reversals of inventories.

For the years ended December 31, 2023 and 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, 2023 and 2022, there were no write-offs or reversals of inventories.

For the years ended December 31, 2023 and 2022, construction in progress of the Company are calculated using a capitalization rate 2.39% and 2.07%, respectively. For the amount of capitalized interest, please refer to note 6(u).

As of December 31, 2023 and 2022 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, 2023 and 2022, were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	<b>\$ 1,655,454</b>	<b>580,477</b>

(Continued)

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

(i) Subsidiaries

Please refer to consolidated financial statement of 2023.

(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, 2023 and 2022, 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>Construction in progress</u>	<u>Total</u>
Cost:						
Balance on January 1, 2023	\$ 213,883	49,628	1,699	44,510	-	309,720
Additions	-	305	-	359	2,720	3,384
Disposals	-	-	-	(900)	-	(900)
Balance on December 31, 2023	<u>\$ 213,883</u>	<u>49,933</u>	<u>1,699</u>	<u>43,969</u>	<u>2,720</u>	<u>312,204</u>
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>-</u>	<u>309,720</u>
Depreciation and Impairment:						
Balance on January 1, 2023	\$ 5,560	45,593	1,027	27,568	-	79,748
Depreciation	143	1,332	247	3,926	-	5,648
Disposals	-	-	-	(525)	-	(525)
Balance on December 31, 2023	<u>\$ 5,703</u>	<u>46,925</u>	<u>1,274</u>	<u>30,969</u>	<u>-</u>	<u>84,871</u>
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>-</u>	<u>79,748</u>
Carrying amounts:						
Balance on December 31, 2023	<u>\$ 208,180</u>	<u>3,008</u>	<u>425</u>	<u>13,000</u>	<u>2,720</u>	<u>227,333</u>
Balance on December 31, 2022	<u>\$ 208,323</u>	<u>4,035</u>	<u>672</u>	<u>16,942</u>	<u>-</u>	<u>229,972</u>

For the years ended December 31, 2023 and 2022, 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>
<b>Cost:</b>			
Balance on January 1, 2023	\$ 3,479	152,503	155,982
Additions	7,948	-	7,948
Lease modification	81	-	81
Balance on December 31, 2023	<u>\$ 11,508</u>	<u>152,503</u>	<u>164,011</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, 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>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2023	\$ 594	53,992	54,586
Depreciation	2,228	27,728	29,956
Balance on December 31, 2023	<u>\$ 2,822</u>	<u>81,720</u>	<u>84,542</u>
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>
Carrying amounts:			
Balance on December 31, 2023	<u>\$ 8,686</u>	<u>70,783</u>	<u>79,469</u>
Balance on December 31, 2022	<u>\$ 2,885</u>	<u>98,511</u>	<u>101,396</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, 2023	\$ 501,764	438,511	73	940,348
Transfer from inventory	100,899	62,769	-	163,668
Lease modification	-	-	11	11
Disposals	-	-	(69)	(69)
Others	-	-	(15)	(15)
Balance on December 31, 2023	<u>\$ 602,663</u>	<u>501,280</u>	<u>-</u>	<u>1,103,943</u>
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>

(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, 2023	\$ -	27,636	18	27,654
Depreciation	-	17,222	11	17,233
Disposals	-	-	(14)	(14)
Others	-	-	(15)	(15)
Balance on December 31, 2023	<u>\$ -</u>	<u>44,858</u>	<u>-</u>	<u>44,858</u>
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>
Carrying amounts:				
Balance on December 31, 2023	<u>\$ 602,663</u>	<u>456,422</u>	<u>-</u>	<u>1,059,085</u>
Balance on December 31, 2022	<u>\$ 501,764</u>	<u>410,875</u>	<u>55</u>	<u>912,694</u>
Fair value:				
Balance on December 31, 2023			<u>\$ 1,390,945</u>	
Balance on December 31, 2022			<u>\$ 1,141,412</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, 2023 and 2022, 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, 2023</u>	<u>December 31, 2022</u>
Other current and non-current financial assets	\$ 8,972,419	5,429,405
Current incremental costs of obtaining a contract	929,954	1,564,071
Total	<u>\$ 9,902,373</u>	<u>6,993,476</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, 2023 and 2022, the Company recognized \$1,280,222 thousand and \$110,217 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:

<b>December 31, 2023</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	2.01%~3.02%	2024~2027	\$ 8,511,688
Unsecured bank loans	TWD	2.25%~2.65%	2024~2027	587,000
Short-term notes and bills payable	TWD	1.52%~2.74%	2024	<u>1,623,524</u>
Total				<u><u>\$ 10,722,212</u></u>

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
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	<u>751,639</u>
Total				<u><u>\$ 23,175,774</u></u>

(i) The issue of bank loan and repayment

For the years ended December 31, 2023 and 2022, the incremental amounts were \$17,955,900 thousand and \$19,865,816 thousand, respectively; the repayment amounts were \$30,408,816 thousand and \$11,806,300 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:

	<b>December 31, 2023</b>			
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	2.29%	2034	\$ 293,514
Less: current portion				(25,938)
Total				\$ <b>267,576</b>
	<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	2.04%	2034	\$ 318,924
Less: current portion				(25,525)
Total				\$ <b>293,399</b>

(i) The issue of bank loan and repayment

For the years ended December 31, 2023 and 2022, the incremental amounts were no addition; the repayment amounts were \$25,410 thousand and \$25,558 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 putable bonds

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Secured ordinary bonds	\$ 9,900,000	9,900,000
Discount on bonds payable – unamortized amount	(31,536)	(44,985)
Ending balance: bonds payable	\$ <b>9,868,464</b>	<b>9,855,015</b>
Secured ordinary corporate bond – current	\$ 5,871,596	-
Secured ordinary corporate bond – non-current	3,996,868	9,855,015
Total	\$ <b>9,868,464</b>	<b>9,855,015</b>

(i) The Company has not issued, repurchased or repaid any corporate bonds payable in advance in 2023. 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%, in April 2022.

(Continued)

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

(ii) The Company issued a secured ordinary corporate bond amounting to \$2,000,000 thousand, and \$5,900,000 thousand with an interest rate of 0.57% and 0.78%~0.85% in November 2021 and 2019, respectively. The secured ordinary corporate bonds were issued for 5 years.

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

(m) Lease liabilities

The carrying amount of lease liabilities were as follows :

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Current	\$ <u>33,977</u>	<u>29,104</u>
Non-current	\$ <u>45,459</u>	<u>72,040</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>2023</u>	<u>2022</u>
Interest on lease liabilities	\$ <u>1,696</u>	<u>2,145</u>
Expenses relating to short-term leases	\$ <u>11,380</u>	<u>12,638</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>2023</u>	<u>2022</u>
Total cash outflow for leases	\$ <u>42,767</u>	<u>41,793</u>

(i) Real estate lease

The Company sold and leased back its office buildings, and leased land for the parking lot and reception center. The leases run for a period of 1.5-20 years. The Company also leases out its office equipment, reception center 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 23,828	17,981
One to two years	21,452	12,049
Two to three years	16,480	9,029
Three to four years	15,663	4,131
Four to five years	13,852	4,131
More than five years	-	3,034
Total undiscounted lease payments	<u>\$ 91,275</u>	<u>50,355</u>

For the years ended December 31, 2023 and 2022, the Company's rental income from investment properties were \$18,423 thousand and \$15,979 thousand, respectively.

(o) Employee benefits

(i) Defined benefit plans

The Company's employee benefit liabilities were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Short-term paid leave liability	<u>\$ 2,748</u>	<u>2,688</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 \$6,165 thousand and \$3,306 thousand for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax expense		
Current period	\$ 1,414,135	-
Land value increment tax	225,630	39,487
Adjustment for prior periods	(172)	2,997
Additional surtax on unappropriated earnings	-	6,598
Income tax expense	<b><u>\$ 1,639,593</u></b>	<b><u>49,082</u></b>

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2023 and 2022 were follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax	\$ 9,341,139	205,718
Income tax expense at domestic statutory tax rate	1,868,228	41,144
Book –tax difference between revenue recognition time	(16,117)	-
Book –tax difference between deferred interest expense	(6,558)	(20,901)
Land tax exempt income	(274,182)	(63,284)
Adjustment for prior periods	(172)	2,997
Book –tax difference between deferred sales commission	(27,501)	14,535
Land value increment tax	225,630	39,487
Dividend income	(1,446)	(10,533)
Additional surtax on unappropriated earnings	-	6,598
Others	(128,289)	39,039
	<b><u>\$ 1,639,593</u></b>	<b><u>49,082</u></b>

(ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax liabilities for the years ended December 31, 2023 and 2022 were as follows:

(Continued)

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

	<b>Provision for land value increment tax</b>
<u>Deferred tax liabilities:</u>	
Balance on January 1, 2023	\$ <u>2,844</u>
Balance on December 31, 2023	\$ <u><b>2,844</b></u>
Balance on January 1, 2022	\$ <u>2,844</u>
Balance on December 31, 2022	\$ <u><b>2,844</b></u>

(iii) Assessment of tax

The Company's income tax had been examined by the tax authorities till the year 2021.

(q) Capital and other equity

As of December 31, 2023 and 2022, the total value of authorized ordinary shares both were \$8,000,000 thousand, with par value of \$10 per share. The paid-in capital both were 451,026 thousand.

(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. The Company has received the approval from the Financial Supervisory Commission for the above-mentioned capital increase on August 1, 2022. Also, a resolution was passed during the board meeting, to set October 2, 2022, 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Premium on issuance of capital stock	\$ 12,021	12,021
Others	<u>11,833</u>	<u>10,580</u>
	<u><b>\$ 23,854</b></u>	<u><b>22,601</b></u>

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

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.****Notes to the Financial Statements****(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, 2022 and 2021 were decided by the resolution adopted, at the general meeting of shareholders held on June 13, 2023 and June 9, 2022, and the dividends distribution were as follows:

	For the years ended December 31			
	2022		2021	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.60	270,616	2.00	784,393
Shares	-	-	1.50	588,295
Total		\$ 270,616		1,372,688

(iv) Other equity items (net after tax)

	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>
Balance on January 1, 2023	\$ 130,574
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	55,113
Balance on December 31, 2023	\$ 185,687
Balance on January 1, 2022	\$ 155,726
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(25,152)
Balance on December 31, 2022	\$ 130,574

(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	
	2023	2022
1) Profit attributable to ordinary shareholders of the Company	\$ 7,701,546	156,636
2) Weighted-average number of ordinary shares	451,026	451,026

(Continued)

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

## (ii) Diluted earnings per share

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
1) Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>7,701,546</u>	<u>156,636</u>
2) Weighted-average number of ordinary shares (basic)	451,026	451,026
Effect of restricted employee shares unvested	<u>261</u>	<u>156</u>
Weighted-average number of ordinary shares (diluted)	<u>451,287</u>	<u>451,182</u>

## (s) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Primary geographical markets:		
Taiwan	\$ <u>30,592,919</u>	<u>2,369,080</u>
Major products/services lines:		
Sales revenue (sales of real estate)	\$ 30,574,496	2,353,101
Other revenue	<u>18,423</u>	<u>15,979</u>
	<u>\$ 30,592,919</u>	<u>2,369,080</u>
Timing of revenue recognition:		
Revenue transferred over time	\$ 18,423	15,979
Products and services transferred at a point in time	<u>30,574,496</u>	<u>2,353,101</u>
	<u>\$ 30,592,919</u>	<u>2,369,080</u>

## (ii) Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Contract liabilities— Sales of real estate	\$ 2,535,438	5,654,170	3,267,845
Contract liabilities— Advance receipt	671	285	264
Total	<u>\$ 2,536,109</u>	<u>5,654,455</u>	<u>3,268,109</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, 2023 and 2022 that was included in the contract liability— Sales of real estate balance at the beginning of the period were \$4,535,557 thousand and \$236,221 thousand, respectively.

(Continued)

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

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, 2023 and 2022.

(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, 2023 and 2022, the Company estimated its employee remuneration amounting to \$25,000 thousand and \$4,000 thousand, respectively, and directors' remuneration amounting to \$10,000 thousand and \$1,500 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as specified in the Company's Articles. If there is difference between the estimated amount and actual distribution of next year, the Company recognizes it in profit and loss of the next year, as a change in accounting estimates. If a resolution is made by the meeting of Board of Directors to distribute employee remuneration by shares, the number of shares to be distributed will be calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. These remunerations were expensed under operating expenses for the years ended 2023 and 2022.

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 2023 and 2022.

(u) Non-operating income and expenses

(i) Interest income

The details of interest income for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest income from construction refundable deposit	\$ 248	131
Interest income from bank deposit and bills	42,925	9,177
Others	10	-
	<b>\$ 43,183</b>	<b>9,308</b>

(Continued)

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

## (ii) Other income

The details of other income for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Dividend income	\$ 7,231	52,666
Rent income	10,639	9,700
	<b>\$ 17,870</b>	<b>62,366</b>

## (iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 3	931
Other income	21,513	38,106
Gain on lease modifications	2	8
Gain on disposals of investment properties	-	10,960
Gain on disposal of property, plant and equipment	768	7
Other expenses	(381)	(2,589)
	<b>\$ 21,905</b>	<b>47,423</b>

## (iv) Finance costs

The details of finance costs for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest expense		
Bank loans and collateral	\$ 499,193	406,849
Guarantee fees	15,731	2,885
Interest on corporate bond (including fees)	191,430	203,232
Other financial expenses	1,696	2,145
Less: capitalized interest	(489,514)	(458,242)
	<b>\$ 218,536</b>	<b>156,869</b>

(Continued)

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

## (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>
<b>December 31, 2023</b>						
Non derivative financial liabilities:						
Secured bank loans	\$ 8,805,202	9,258,752	3,002,023	5,087,064	1,002,326	167,339
Unsecured bank loans	587,000	607,539	427,181	8,689	171,669	-
Short-term notes and bills payable	1,623,524	1,627,000	1,627,000	-	-	-
Ordinary corporate bonds (including current portion)	9,868,464	10,051,020	5,977,220	2,056,800	2,017,000	-
Notes payable, accounts payable and other payables	2,163,503	2,163,503	2,163,503	-	-	-
Lease liabilities	79,436	81,491	34,076	46,555	137	723
	<u>\$ 23,127,129</u>	<u>23,789,305</u>	<u>13,231,003</u>	<u>7,199,108</u>	<u>3,191,132</u>	<u>168,062</u>
<b>December 31, 2022</b>						
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	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>

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

(Continued)

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

(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 \$46,970 thousand and \$113,738 thousand, respectively, for the years ended December 31, 2023 and 2022, with all other variable factors remaining constant. Taking into account that capitalized interest of profit may decrease or increase by \$14,497 thousand and \$29,006 thousand, respectively. This is mainly due to the Company's borrowing at variable rates.

2) Other market price risk

For the years ended December 31, 2023 and 2022, 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:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Price of securities at reporting date</b>	<b>Other comprehensive income after tax</b>	<b>Other comprehensive income after tax</b>
Increasing 10%	<b>\$ 64,372</b>	<b>58,280</b>
Decreasing 10%	<b>\$(64,372)</b>	<b>(58,280)</b>

(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:

(Continued)

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

		<b>December 31, 2023</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 643,717	643,717	-	-	643,717
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,202,355	-	-	-	-
Notes and accounts receivable	713,167	-	-	-	-
Other receivables	1,066	-	-	-	-
Other financial assets – current	7,880,676	-	-	-	-
Other financial assets – non-current	1,091,743	-	-	-	-
Subtotal	11,889,007	-	-	-	-
Total	<b>\$ 12,532,724</b>	<b>643,717</b>	<b>-</b>	<b>-</b>	<b>643,717</b>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 9,098,688	-	-	-	-
Short-term notes and bills payable	1,623,524	-	-	-	-
Notes payable, accounts payable and other payables	2,163,503	-	-	-	-
Lease liabilities	79,436	-	-	-	-
Corporate bonds payable (including current portion)	9,868,464	-	-	-	-
Long-term loans (including current portion)	293,514	-	-	-	-
Total	<b>\$ 23,127,129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>December 31, 2022</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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	<b>\$ 8,277,931</b>	<b>582,804</b>	<b>-</b>	<b>-</b>	<b>582,804</b>

(Continued)

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

	<b>December 31, 2022</b>				
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial 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)	<u>318,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 35,179,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

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

b) Derivative financial instruments

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

(Continued)

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

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

3) Transfers between levels

Stock held by the Company quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques for the years ended December 31, 2023 and 2022. There is no transfer between levels measured at fair value for the years ended December 31, 2023 and 2022.

(w) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Account and other receivables

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

(Continued)

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

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.

3) Guarantees

The Company's policy is to provide financial guarantees to subsidiaries that directly or indirectly hold more than 50% of voting shares and companies with business relations. At December 31, 2023 and 2022, the situation about the Company provided guarantees to wholly owned subsidiaries, please refer to note 7(c).

(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.

(Continued)

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

As of 2023, the Company's capital management strategy is consistent with the prior year as of 2022. The gearing ratio is maintained so as to ensure financing at reasonable cost. The Company's debt-to-equity ratio as of December 31, 2023 and 2022, were as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Total liabilities	\$ 27,290,084	41,200,269
Less: cash and cash equivalents	<u>(2,202,355)</u>	<u>(925,890)</u>
Net debt	25,087,729	40,274,379
Total Equity	<u>13,510,623</u>	<u>6,023,327</u>
Total capital and equity	<u>\$ 38,598,352</u>	<u>46,297,706</u>
Debt-to-equity ratio	<u>65%</u>	<u>87%</u>

- (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, 2023 and 2022, 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, 2023 and 2022, Guang Yang Investment Co., Ltd. (Guang Yang) is the parent company of the Company and both owns 6.37% of all shares outstanding of the Company. 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)	"

(Continued)

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Jin Jyun Construction Co., Ltd	Subsidiary Company
Da Li Investment Co., Ltd.	Corporate director of the Company
Fang ○○ architectural firm	Key management personnel of the Company who is in charge of the architectural firm
○○, 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

(c) Significant transactions with related parties

(i) Operating revenues

For the years ended December 31, 2023 and 2022, the Company entered into separate sales agreements with different related parties for the disposal of its real estates, at the amounts of \$32,077 thousand and \$32,078 thousand (VAT included) in accordance with the employee purchase policy, resulting in the amounts of \$31,256 thousand and zero to be recognized as sales revenue, as well as the advance real estate receipts of zero and \$4,588 thousand, respectively, as contract liabilities, with the approval of its board. There were no difference between the conditions for related parties stated in the contract mentioned and those of non-related parties.

(ii) Purchase

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

	<u>Purchase (charged)</u>	
	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Parent company:		
Chyi Yuh	\$ -	174,989
Subsidiary company:		
Jin Jyun	4,611,536	4,697,710
Other related parties		
Bo Yuan	46,807	152
Other related parties	<u>1,210</u>	<u>7</u>
	<u>\$ 4,659,553</u>	<u>4,872,858</u>

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

The above transaction is the purchase agreement entered into by the Company with its other related party, Bo Yuan, who the Company purchase a building permit from at the price of \$48,852 thousand (VAT included).

(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:

	<b>Expense paid</b>	
	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Parent company:		
Highwealth	\$ 10,076	-
Subsidiary company:		
Jin Jyun	3,000	2,750
Other related parties	559	6,548
	<b>\$ 13,635</b>	<b>9,298</b>

- (iii) Payables to related parties

The payables to related parties were as follows:

<b>Accounted items</b>	<b>Categories</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accounts payable	Parent company—Chyi Yuh	\$ -	55,927
"	Subsidiary company—Jin Jyun	588,393	555,304
"	Other related parties	3,114	5,288
Other payables	Other related parties	19,910	7,848
		<b>\$ 611,417</b>	<b>624,367</b>

- (iv) Guarantees

The Company provided guarantees to the subsidiary Jin Jyun Co., Ltd for bank financing. As of December 31, 2023, the guarantees balance was \$100,000 thousands, and the amount spent was zero.

The subsidiary Jin Jyun Co., Ltd provided guarantees to the Company for bank financing. As of December 31, 2023 and 2022, the guarantees balance both were \$1,000,000 thousand, and the amount spent were \$400,000 thousand and zero, respectively.

(Continued)

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

## (v) Leases

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

## 1) Rent income

	<u>Guarantee deposit</u>		<u>Rent income</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Parent company	\$ -	-	57	57
Subsidiaries:				
Jin Jyun	54	-	129	-
Other related parties:				
Bo Yuan	1,378	1,378	7,902	7,902
Other related parties	200	-	994	41
	<u>\$ 1,632</u>	<u>1,378</u>	<u>9,082</u>	<u>8,000</u>

## 2) Rent expense

	<u>Refundable deposits</u>		<u>Rent expense</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Parent company				
— Highwealth	\$ -	-	1,429	4,677
Other related parties				
— Bo Yuan	140	140	777	777
	<u>\$ 140</u>	<u>140</u>	<u>2,206</u>	<u>5,454</u>

## (vi) Others

- 1) As of December 31, 2023 and 2022, the Company's contracts with related parties for construction cooperation were as follows:

<u>Property</u>	<u>Land owner</u>	<u>Type</u>	<u>Portion</u>	<u>Refundable deposit</u>
<u>December 31, 2023</u>				
Shr Jeng Ai Yue (Huei An Section)	Parent company — Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000 Refundable notes \$ 200,000

(Continued)

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

<u>Property</u>	<u>Land owner /Investor</u>	<u>Type</u>	<u>Portion</u>	<u>Refundable deposit</u>
<b>December 31, 2022</b>				
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, 2023</u>	<u>December 31, 2022</u>
Parent company – Chyi Yuh	\$ -	70,218
Subsidiary company – Jin Jyun	89,425	9,682
	<u>\$ 89,425</u>	<u>79,900</u>

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

	<u>Expense paid</u>	
	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Parent company	\$ 134	-
Other related parties:		
Ju Feng	33,572	18,117
Well Rich International Co., Ltd.	4,055	2,188
Other related parties	89	1,081
	<u>\$ 37,850</u>	<u>21,386</u>

- (d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 39,135</u>	<u>19,436</u>

(Continued)

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at FVOCI— current	Bank loans	\$ 527,115	529,744
Notes receivable	Bank loans, short-term notes and bonds	627,831	190,830
Other financial assets	Trust account, performance bonds, bank loans and bonds	7,992,288	4,921,671
Inventories (construction)	Bank loans, short-term notes and long-term borrowings	19,150,518	34,716,095
Investment property	Long-term borrowings, bank loans and short-term notes	1,056,418	912,639
		<u>\$ 29,354,170</u>	<u>41,270,979</u>

As of December 31, 2023 and 2022, the book value of pledged assets providing undrawn guaranteed loan are \$4,601,519 thousand and \$282,171 thousand, respectively. As of December 31, 2023 and 2022, the Company provided notes receivable of presale cases \$1,525,139 thousand and \$2,215,071 thousand, as collateral for the bank loans, respectively.

**(9) Commitments and contingencies:**

(a) Unrecognized contractual commitments

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amounts of signed contracts	<u>\$ 32,463,218</u>	<u>47,726,441</u>
Received amount from contracts	<u>\$ 2,535,438</u>	<u>5,654,170</u>
Outstanding checks received from presale cases	<u>\$ 2,782,497</u>	<u>2,543,260</u>

- (ii) As of December 31, 2023 and 2022, the refundable deposits paid and notes submitted, through cooperation with the land owners, amounted were \$4,305,000 thousand and \$645,000 thousand, respectively. For the partial above-mentioned joint construction projects, the Company will settle the amount on the date agreed by both parties.
- (iii) As of December 31, 2023 and 2022, 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. for the partial above-mentioned joint construction projects, the Company will settle the amount on the date agreed by both parties.

(Continued)

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

(10) Losses due to major disasters: None

(11) Subsequent events: None

(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					
		2023			2022		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary	194	109,647	109,841	1,181	71,016	72,197	
Labor and health insurance	7	8,259	8,266	137	8,368	8,505	
Pension	3	6,162	6,165	70	3,236	3,306	
Remuneration of directors	-	12,880	12,880	-	4,380	4,380	
Others	4	18,318	18,322	180	9,225	9,405	
Depreciation	17,412	35,425	52,837	9,442	34,603	44,045	
Amortization	-	2,060	2,060	-	1,798	1,798	

For the year ended December 31, 2023 and 2022, the information on the number of employees and employee benefit expense of the Company is as follows:

	For the years ended December 31	
	2023	2022
Number of employees	<u>100</u>	<u>99</u>
Number of directors who were not employees	<u>5</u>	<u>5</u>
The average employee benefit	<u>\$ 1,501</u>	<u>994</u>
The average employee salary	<u>\$ 1,156</u>	<u>768</u>
Percentage of average employee salary expense	<u>50.52 %</u>	<u>(35.79)%</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.

(Continued)

**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 former 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										
0	The company	Jin Jyun Construction Co., Ltd.	2	2,702,125	100,000	100,000	-	-	0.74 %	6,755,312	Y	N	N
1	Jin Jyun Construction Co., Ltd.	The company	3	3,709,345	1,000,000	1,000,000	400,000	400,000	53.92 %	7,418,690	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.

Note 4: Jin Jyun Construction Co., Ltd. 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 shall not exceed 400% of the net value of the company.
- 2) The aggregate amount of endorsements and guarantees endorsed by the company for a single enterprise shall not exceed 200% of the net value of the company.

(Continued)

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

(iii) Securities held as of December 31, 2023 (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	16,052,801	643,717	0.85 %	643,717	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Stock-Jin Jyun Construction Co., Ltd.	Investments accounted for using equity method	Capital increase	Subsidiary of the Company	70,000,000	580,477	100,000,000	1,000,000	-	-	-	-	170,000,000	1,655,454

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

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Taichung city Xitun district Wen Shang section	June 30, 2023	2,265,650	Fully paid	〇〇, Yuan	Not related parties				-	Appraisal	Construction	

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Jin Jyun Construction Co., Ltd.	Subsidiary of the Company	Contracting project management fee	4,614,536	54.49%		-		(588,393)	(43.00)%	Note 2
Jin Jyun Construction Co., Ltd.	The Company	Parent company	Contracted project management responsibility	(4,781,609)	(98.13)%		-		588,393	97.63%	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	588,393	8.36	-	-	498,968	-

(ix) Trading in derivative instruments: None.

(Continued)

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

## (b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (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, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	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.	1,718,300	718,300	170,000,000	100.00 %	1,655,454	65,128	168,977	

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

## (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Ching Shr Ban Investment Co., Ltd.		44,419,740	9.84 %
Shing Ri Sheng Investment Co., Ltd.		33,074,642	7.33 %
Ruen Ying Investment Co., Ltd.		32,458,302	7.19 %
Guang Yang Investment Co., Ltd.		28,759,103	6.37 %
Wan Sheng Fa Investment Co., Ltd.		26,103,040	5.78 %
Feng Rau Investment Co., Ltd.		24,426,382	5.41 %
Highwealth Construction Corp.		23,698,288	5.25 %

## (14) Segment information:

Please refer to the consolidated financial statements.

**RUN LONG CONSTRUCTION CO., LTD.****Statement of cash and cash equivalents****December 31, 2023****(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	\$ 6,901,998	
Construction refundable deposit	Joint construction security deposit	<u>978,678</u>	
		<u>\$ 7,880,676</u>	

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

**Statement of inventories (for construction business)**

**December 31, 2023**

**(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	3,819,443	
	VVS1	3,111,848	
	Jing An Wen Hui	685,251	
	Run Long Bo Yue	1,771,683	
	Xinyi Fu Jing	3,798,880	
	Shicheng Aiyue	3,682,935	
	Wensuobao	2,203,783	
	Wen Shang I	2,349,587	
	Wen Shang II	41,862	
	Other engineerings	<u>43,879</u>	
	<u>21,509,151</u>		
Properties and land held for sale	Kuobin Dayuan	253,479	
	Kuobin Kuandi	132,736	
	Bokelai Park	26,922	
	Taichung Dibao	456,053	
	National Trading Center	119,851	
	Xing Heng Bing-Shang Ye District	17,634	
	Wenhua Run Long	90,862	
	GuoGia Da Yuan	664,851	
	Juke Run-Long	59,675	
	Xin Heng Bing-Xing Ye District	36,900	
Shuhoyuan	<u>185,197</u>		
	<u>2,044,160</u>		
Total		<u>\$ 24,255,245</u>	

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

**Statement of other non-current financial assets**

**December 31, 2023**

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

<b>Item</b>	<b>Summary</b>	<b>Amount</b>	<b>Note</b>
Bank Deposit	Reserve account and performance guarantee	\$ 1,090,290	
Refundable deposit	Guarantee deposit of rental and office, etc.	<u>1,453</u>	
		<u><u>\$ 1,091,743</u></u>	

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

**For the year ended December 31, 2023**

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, 2023**

**(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	\$ 2,260,900	2019.05.15~2025.11.10		Construction in progress	
	Financial institution	1,663,738	2020.09.01~2025.09.01		Construction in progress	
	Financial institution	26,550	2021.07.21~2024.07.19		Properties and land held for sale and investment property	
	Financial institution	1,674,000	2021.10.18~2027.11.24		Construction in progress	
	Financial institution	1,233,000	2021.11.19~2026.11.09		Construction in progress	
	Financial institution	766,500	2022.03.29~2027.03.29		Construction in progress	
	Financial institution	400,000	2023.11.20~2024.11.18		Notes receivable	
	Financial institution	400,000	2023.11.29~2024.11.18		Bank deposit of subsidiary	
	Financial institution	<u>87,000</u>	2023.12.15~2024.03.15		Other current financial assets	
		<u>8,511,688</u>				
Unsecured loan	Financial institution	107,000	2022.06.27~2027.05.03	Note 2	-	
	Financial institution	63,000	2022.06.13~2027.03.29		-	
	Financial institution	267,000	2023.10.27~2024.10.27		-	
	Financial institution	<u>150,000</u>	2023.11.10~2024.01.09		-	
	Financial institution	<u>587,000</u>				
		<b><u>\$ 9,098,688</u></b>				

Note 1: The range of secured loan 2.01%~3.02%.

Note 2: The range of unsecured loan 2.25%~2.65%.

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

**Statement of contract liabilities**

**December 31, 2023**

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

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Advance real estate receipts	Meng Yue Cheng	\$ 943,141	
	Jing An Wen Hui	97,700	
	VVS1	610,773	
	Shicheng Aiyue	578,145	
	Run Long Bo Yue	265,501	
	Others	40,178	
Advance incomes	Others	<u>671</u>	
		<u><u>\$ 2,536,109</u></u>	

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

**Statement of bonds payable**

**December 31, 2023**

**(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 108-1	Financial institution	2019.04.02	Yearly	0.85 %	\$ 2,000,000	-	2,000,000	(5,229)	1,994,771	Paid at maturity	Other current financial assets
Corporate bonds 108-2	Financial institution	2019.04.02	Yearly	0.85 %	2,000,000	-	2,000,000	(166)	1,999,834	Paid at maturity	Other current financial assets
Corporate bonds 108-3	Financial institution	2019.12.24	Yearly	0.78 %	1,900,000	-	1,900,000	(23,009)	1,876,991	Paid at maturity	Other current financial assets
Corporate bonds 110-1	Financial institution	2021.11.10	Yearly	0.57 %	2,000,000	-	2,000,000	(1,173)	1,998,827	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	(1,959)	1,998,041	Paid at maturity	Notes receivable and other non-current financial assets
Less: Redeemable bonds due within one year					(5,900,000)	-	(5,900,000)	28,404	(5,871,596)		
					<u>\$ 4,000,000</u>	<u>-</u>	<u>4,000,000</u>	<u>(3,132)</u>	<u>3,996,868</u>		

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

**Statement of long-term borrowings**

**December 31, 2023**

**(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	\$ 293,514	2019.01.15~2034.01.15	2.29%	Investment property and properties and land held for sale	
	Less: current portion	<u>(25,938)</u>				
		<u>\$ 267,576</u>				

**Statement of operating revenue**

**For the year ended December 31, 2023**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Land revenue	Xin Heng Bing-Shang Ye District, Xin Heng Bing-Xing Ye District, Juke Run-Long, Taichung Dibao, Shuhoyuan, GuoGia Da Yuan	\$ 13,347,502	
Building revenue	"	<u>17,226,994</u>	
Subtotal		<u>30,574,496</u>	
Rental revenue	Leases of investment property	<u>18,423</u>	
Total		<u>\$ 30,592,919</u>	

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

**Statement of operating costs**

**For the year ended December 31, 2023**

**(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, Xin Heng Bing-Xing Ye District, Juke Run-Long, Taichung Dibao, Shuhoyuan, GuoGia Da Yuan	\$ 7,382,711	
Building cost	"	12,187,170	
Subtotal		<u>19,569,881</u>	
Rental cost	Depreciation expense of Investment properties	<u>17,233</u>	
Total		<u><u>\$ 19,587,114</u></u>	

**Statement of selling expenses**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 41,520	
Rental		10,048	
Supplies		774	
Depreciatgion		2,256	
Postage and phone/Fax expense		1,199	
Advertising		57,725	
Utilities		1,608	
Employee benefit		6,619	
Board expense		1,165	
Commission		1,313,948	
Labor insurance		1,679	
Health insurance		1,046	
Other expenses		<u>8,030</u>	
		<u><u>\$ 1,447,617</u></u>	

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

**Statement of administrative expenses**

**For the year ended December 31, 2023**

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

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 87,169	
Rental		1,332	
Repair and maintenance		5,860	
Entertainment		4,671	
Tax		67,792	
Donation		1,183	
Depreciation		33,169	
Amortization		2,054	
Board expense		1,520	
Utilities		1,128	
Employee benefit		8,965	
Charge of service		7,153	
Labor insurance		2,338	
Health insurance		3,196	
Other expenses		22,918	
		<u>\$ 250,448</u>	

**RUN LONG CONSTRUCTION CO., LTD.****Statement of other income****For the year ended December 31, 2023****(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).