

**LONG BON INTERNATIONAL CO., LTD. AND
SUBSIDIARIES**

**Consolidated Financial Statements
with Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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

Representation Letter

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

Company name: Long Bon International Co., Ltd.

Chairman: Liu, Wei Lung

Date: March 28, 2022



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of Long Bon International Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Long Bon International Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Acquisition of Associates

Please refer to Note 4(j) "Investment in Associates" and Note 6(f) "Investments Accounted for Using Equity Method" for more information on accounting policy.



Description of key audit matter

The Group held 32.1% voting shares of Taisun Enterprise Co., Ltd. (hereinafter referred to as “Taisun”) at the end of the period, and obtained a seats in Taisun’s Board of Directors in December 2021, resulting in the subject to have a significant impact on the consolidated financial statements.

How the matter was addressed in our audit

Our main audit procedures for the above key audit matter include obtaining the Company's investment assessment to ensure that it is in compliance with the board's decision-making process; sampling the certification documents of equity investment before reclassifying them to equity method investment, and reviewing the correctness of the accounting records; assessing whether the management’s evaluation at the end of the period is in accordance with IAS 28; sending a confirmation to the associates, reviewing and checking the stock share count at the end of the year to ensure that it has been properly disclosed in the consolidated financial statements.

2. Revenue Recognition of Construction Contract

Please refer to Note 4(r) “Revenue from contracts with customers” for the accounting policies for revenue recognition, note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” and 6(r) “Revenue from contracts with customers” for the detail on revenue recognition during the year.

Description of key audit matter

The major business activities of the Group include construction contracts entered into with clients, which contributed a significant proportion to operating revenue. The revenue from construction contracts is recognized by using the percentage of completion method during the contract period, and the revenue recognition involves significant accounting estimates such as estimated total cost of work, completion level, and variable consideration.

When determining transaction price, consideration, which may change due to discounts, rebates, penalties, or other similar items, shall be taken into account. Besides, the extent of completion is calculated based on the percentage of the cost arising from each contract of the estimated total cost of that construction contract as of the reporting date. Moreover, both the aforesaid changes in consideration and the estimated total cost involving accounting estimate give rise to uncertainty and impact on the recognition of revenue from construction contracts. Therefore, the recognition of the profit or loss on construction contracts was identified as one of our key audit matters.

How the matter was addressed in our audit

Our audit procedures in this area included, among others: Testing the internal control of the timing and accuracy of the recognition of revenue and costs to ensure its effectiveness; sampling significant contracts and interviewing management so as to understand the specific terms and risks of each construction contract; testing the evaluation document and procedure taken by the management to evaluate the total estimated costs, completion of construction, profitability of contracts, and variable consideration; checking the procedure of construction estimation, as well as juxtaposing and reconciling the estimates with the general ledger, and assessing whether the recognition of revenue and cost of construction contracts was consistent with the pertinent accounting standards.

Other Matter

Long Bon International Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shu-Ying Chang and Mei-Pin Wu.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2022

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
		Amount	%	(Adjusted)	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents (note 6(a))	\$ 1,293,520	5	1,911,545	8
1110	Current financial assets at fair value through profit or loss (note 6(b) and 8)	228,896	1	5,195,794	21
1140	Current contract assets (note 6(r) and 9)	3,264,391	13	2,835,103	12
1150	Notes receivable, net (note 6(d) and (r))	326,143	1	313,159	1
1170	Accounts receivable, net (note 6(d), (r), 7 and 9)	935,243	4	425,050	2
1200	Other receivables, net (note 6(u) and 9)	42,649	-	55,513	-
1220	Current tax assets	3,142	-	341	-
1320	Inventories (for construction business), net (note 6(e), 7, 8 and 9)	3,856,076	16	3,896,762	16
1461	Non-current assets held for sale (note 6(i))	80,422	-	-	-
1476	Other current financial assets (note 8 and 9)	1,469,179	6	1,156,308	5
1479	Other current assets, others (note 7)	235,617	1	227,286	2
1480	Current assets recognised as incremental costs to obtain contract with customers	<u>32,662</u>	<u>-</u>	<u>32,662</u>	<u>-</u>
		<u>11,767,940</u>	<u>47</u>	<u>16,049,523</u>	<u>67</u>
Non-current assets:					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	309,369	1	479,694	2
1535	Non-current financial assets at amortized cost, net (note 13)	350,626	1	80,624	-
1550	Investments accounted for using equity method, net (note 6(e), (f) and 8)	4,363,001	19	3,829	-
1600	Property, plant and equipment (note 6(h), 8 and 9)	5,565,546	24	5,466,743	23
1755	Right-of-use assets (note 7)	71,585	-	13,588	-
1760	Investment property, net (note 6(i), 7, 8 and 9)	1,819,103	8	1,049,766	4
1780	Intangible assets	86,728	-	86,289	-
1840	Deferred tax assets (note 6(o))	93,695	-	107,011	-
1975	Net defined benefit asset, non-current	10,863	-	10,863	-
1980	Other non-current financial assets (note 7 and 8)	7,347	-	579,974	3
1990	Other non-current assets, others (note 6(i), 7 and 9)	<u>39,154</u>	<u>-</u>	<u>302,516</u>	<u>1</u>
		<u>12,717,017</u>	<u>53</u>	<u>8,180,897</u>	<u>33</u>
Total assets		<u><u>\$ 24,484,957</u></u>	<u><u>100</u></u>	<u><u>24,230,420</u></u>	<u><u>100</u></u>

See accompanying notes to consolidated financial statements.

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
		Amount	%	(Adjusted)	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings (note 6(j))	\$ 4,071,856	18	3,878,182	16
2110	Short-term notes and bills payable (note 6(k))	981,576	4	580,974	2
2130	Current contract liabilities (note 6(r))	581,226	2	633,544	3
2151	Notes payable (note 7)	1,336,210	5	1,191,581	5
2171	Accounts payable (note 7)	2,243,145	10	2,373,685	11
2200	Other payables (note 6(s) and 7)	422,542	2	393,754	3
2230	Current tax liabilities (note 6(o))	61,779	-	101,423	-
2250	Current provisions (note 6(e))	25,750	-	36,005	-
2280	Current lease liabilities (note 7)	19,684	-	8,737	-
2399	Other current liabilities, others	36,615	-	50,711	-
2322	Long-term borrowings, current portion (note 6(l))	240,775	1	50,109	-
		<u>10,021,158</u>	<u>42</u>	<u>9,298,705</u>	<u>40</u>
Non-Current liabilities:					
2527	Non-current contract liabilities (note 6(r))	67,241	-	32,101	-
2530	Bonds payable (note 6(m))	-	-	2,469,730	10
2540	Long-term borrowings (note 6(l))	1,339,354	5	281,310	1
2550	Non-current provisions (note 6(e))	116,088	-	118,554	-
2570	Deferred tax liabilities (note 6(o))	496,585	2	496,955	2
2580	Non-current lease liabilities (note 7)	52,488	-	5,014	-
2645	Guarantee deposits received	2,121,462	10	1,994,081	8
		<u>4,193,218</u>	<u>17</u>	<u>5,397,745</u>	<u>21</u>
		<u>14,214,376</u>	<u>59</u>	<u>14,696,450</u>	<u>61</u>
Total liabilities					
Equity attributable to owners of parent (note 6(c), (g) and (p))					
3100	Capital stock	3,947,293	16	3,947,293	16
3200	Capital surplus	174,472	1	146,633	1
3300	Retained earnings	6,831,919	28	5,875,475	24
3400	Other equity interest	(174,359)	(1)	(26,076)	-
3500	Treasury shares	(614,333)	(3)	(614,333)	(3)
		<u>10,164,992</u>	<u>41</u>	<u>9,328,992</u>	<u>38</u>
Total equity attributable to owners of parent:					
36XX	Non-controlling interests	105,589	-	204,978	1
		<u>10,270,581</u>	<u>41</u>	<u>9,533,970</u>	<u>39</u>
Total equity					
Total liabilities and equity		<u>\$ 24,484,957</u>	<u>100</u>	<u>24,230,420</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2021 and 2020

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

		2021		2020 (Adjusted)	
		Amount	%	Amount	%
4000	Operating revenue (note 6(n), (r), 7 and 9)	\$ 11,425,624	100	10,776,324	100
5000	Operating costs (note 6(e) and 7)	10,615,684	93	9,996,651	93
	Gross profit from operations	<u>809,940</u>	<u>7</u>	<u>779,673</u>	<u>7</u>
	Operating expenses (note 6(s) and 7):				
6100	Selling expenses	82,773	1	56,356	1
6200	Administrative expenses	414,189	4	386,138	4
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9, net (note 6(d))	370	-	-	-
		<u>497,332</u>	<u>5</u>	<u>442,494</u>	<u>5</u>
6500	Net other income (note 6(i))	<u>13,593</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net operating income	<u>326,201</u>	<u>2</u>	<u>337,179</u>	<u>2</u>
	Non-operating income and expenses (note 6(m), (t) and 7):				
7100	Interest income	7,932	-	28,447	-
7010	Other income	254,607	2	216,523	2
7020	Other gains and losses, net	577,126	5	746,724	7
7050	Finance costs, net	(138,466)	(1)	(112,282)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(f))	(3,890)	-	(1,221)	-
7055	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9, net (note 6(u))	-	-	16,150	-
		<u>697,309</u>	<u>6</u>	<u>894,341</u>	<u>8</u>
7900	Profit from continuing operations before tax	<u>1,023,510</u>	<u>8</u>	<u>1,231,520</u>	<u>10</u>
7950	Less: Income tax expenses (note 6(o))	113,098	1	103,183	1
	Profit	<u>910,412</u>	<u>7</u>	<u>1,128,337</u>	<u>9</u>
8300	Other comprehensive income (note 6(p)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	-	-	(46)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(78,197)	(1)	30,949	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Items that will not be reclassified subsequently to profit or loss	<u>(78,197)</u>	<u>(1)</u>	<u>30,903</u>	<u>-</u>
8360	Items that will be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(562)	-	(195)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(o))	4	-	(27)	-
	Items that will be reclassified subsequently to profit or loss	<u>(558)</u>	<u>-</u>	<u>(222)</u>	<u>-</u>
8300	Other comprehensive income	<u>(78,755)</u>	<u>(1)</u>	<u>30,681</u>	<u>-</u>
	Total comprehensive income	<u>\$ 831,657</u>	<u>6</u>	<u>1,159,018</u>	<u>9</u>
	Profit attributable to:				
	Owners of parent	\$ 886,384	8	1,100,637	10
	Non-controlling interests	24,028	-	27,700	-
		<u>\$ 910,412</u>	<u>7</u>	<u>1,128,337</u>	<u>9</u>
	Comprehensive income attributable to:				
	Owners of parent	\$ 808,161	6	1,130,315	9
	Non-controlling interests	23,496	-	28,703	-
		<u>\$ 831,657</u>	<u>6</u>	<u>1,159,018</u>	<u>9</u>
	Earnings per share (note 6(q))				
	Basic earnings per share	<u>\$ 2.45</u>		<u>3.02</u>	
	Diluted earnings per share	<u>\$ 2.45</u>		<u>3.02</u>	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Capital Stock	Retained earnings					Total other equity interest						
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriate d retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests
Balance on January 1, 2020	\$ 4,047,293	130,417	471,151	-	4,414,355	4,885,506	14,712	(85,507)	(70,795)	(681,835)	8,310,586	267,967	8,578,553
Effects of retrospective application	-	-	-	-	-	-	-	-	-	67,502	67,502	(67,502)	-
Equity at beginning of period after adjustments	4,047,293	130,417	471,151	-	4,414,355	4,885,506	14,712	(85,507)	(70,795)	(614,333)	8,378,088	200,465	8,578,553
Profit	-	-	-	-	1,100,637	1,100,637	-	-	-	-	1,100,637	27,700	1,128,337
Other comprehensive income	-	-	-	-	(41)	(41)	(239)	29,958	29,719	-	29,678	1,003	30,681
Total comprehensive income	-	-	-	-	1,100,596	1,100,596	(239)	29,958	29,719	-	1,130,315	28,703	1,159,018
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	86,525	-	(86,525)	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	(12,182)	(12,182)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(129,788)	(129,788)	-	(129,788)
Retirement of treasury share	(100,000)	(398)	-	-	(29,390)	(29,390)	-	-	-	129,788	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	16,614	-	-	(66,237)	(66,237)	-	-	-	-	(49,623)	(181,291)	(230,914)
Due to business combination	-	-	-	-	-	-	-	-	-	-	-	153,305	153,305
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	17,588	17,588
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,610)	(1,610)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(15,000)	(15,000)	-	15,000	-	-	-	-	-
Balance on December 31, 2020	3,947,293	146,633	557,676	-	5,317,799	5,875,475	14,473	(40,549)	(26,076)	(614,333)	9,328,992	204,978	9,533,970
Profit	-	-	-	-	886,384	886,384	-	-	-	-	886,384	24,028	910,412
Other comprehensive income	-	-	-	-	-	-	(537)	(77,686)	(78,223)	-	(78,223)	(532)	(78,755)
Total comprehensive income	-	-	-	-	-	-	(537)	(77,686)	(78,223)	-	808,161	23,496	831,657
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	98,997	-	(98,997)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	182,577	(182,577)	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	(25,987)	(25,987)
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	27,839	-	-	-	-	-	-	-	-	27,839	(97,839)	(70,000)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	70,060	70,060	-	(70,060)	(70,060)	-	-	941	941
Balance on December 31, 2021	\$ 3,947,293	174,472	656,673	182,577	5,992,669	6,831,919	13,936	(188,295)	(174,359)	(614,333)	10,164,992	105,589	10,270,581

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 1,023,510	1,231,520
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	56,096	54,750
Amortization expense	10,210	8,215
Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	370	(16,150)
Net gain on financial assets or liabilities at fair value through profit or loss	(590,136)	(767,795)
Interest expense	138,466	112,282
Interest income	(7,932)	(28,447)
Dividend income	(238,441)	(193,788)
Share of loss of associates and joint ventures accounted for using equity method	3,890	1,221
Loss (gain) on disposal of property, plan and equipment	1,260	(461)
Loss (gain) on disposal of investment properties	(13,593)	9,360
Loss (gain) on disposal of investments	(10,838)	1,496
Loss on bond redemption	28,772	-
Profit from lease modification	(57)	(3)
Impairment loss	-	7,312
Total adjustments to reconcile profit (loss)	(621,933)	(812,008)
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	1,225,696	(675,096)
Contract assets	(429,297)	134,130
Notes receivable	(12,984)	30,397
Accounts receivable	(510,586)	477,920
Other receivable	16,677	(1,863)
Inventories	(50,151)	(667,579)
Net defined benefit assets	-	(469)
Other current financial assets	(103,718)	(256,999)
Other current assets	(8,834)	(58,445)
Current assets recognized as incremental costs to obtain contract with customers	-	(6,417)
Contract liabilities	(17,166)	(81,033)
Notes payable	144,629	(388,012)
Accounts payable	(130,540)	(399,450)
Other payable	71,336	96,906
Provisions	(12,721)	(1,045)
Other current liabilities	(14,097)	(5,201)
Total adjustments	(453,689)	(2,614,264)
Cash inflow (outflow) generated from operations	569,821	(1,382,744)
Interest received	4,116	28,724
Dividends received	238,441	193,788
Interest paid	(154,879)	(112,550)
Income taxes paid	(142,593)	(237,348)
Net cash (outflows) inflows from operating activities	514,906	(1,510,130)

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows(CONT'D)

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(84,190)	(88,187)
Proceeds from disposal of financial assets at fair value through other comprehensive income	141,031	112,052
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	36,228	-
Acquisition of financial assets at amortized cost	(270,002)	(79,980)
Acquisition of investments accounted for using equity method	(31,724)	(3,900)
Proceeds from disposal of investments accounted for using equity method	-	4,235
Prepayments for land and buildings	-	(230,280)
Acquisition of subsidiaries (net of cash received)	-	(303,916)
Acquisition of property, plant and equipment	(121,662)	(1,683,117)
Proceeds from disposal of property, plant and equipment	4,618	2,883
Other receivables	-	248,733
Acquisition of intangible assets	(7,500)	(6,563)
Proceeds from disposal of investment properties	178,144	93,402
Acquisition of investment properties	(688,276)	(296,067)
Other current financial assets	(209,153)	87,372
Other non current financial assets	572,627	(756)
Other non-current assets	28,189	(8,324)
Net cash (outflows) inflows from investing activities	(451,670)	(2,152,413)
Cash flows from financing activities:		
Increase in short-term loans	193,674	2,277,772
Increase in short-term notes and bills payable	389,200	168,317
Repayments of bonds	(2,523,458)	-
Proceeds from long-term debt	1,786,360	202,520
Repayments of long-term debt	(537,650)	(264,524)
Increase in guarantee deposits received	127,381	1,345
Payment of lease liabilities	(20,656)	(30,720)
Repurchase treasury shares	-	(129,788)
Cash dividends paid by subsidiaries	(25,987)	(12,182)
Acquisition of ownership interests in subsidiaries	(70,000)	(230,914)
Change in non-controlling interests	-	17,588
Net cash inflows (outflows) from financing activities	(681,136)	1,999,414
Effect of exchange rate changes on cash and cash equivalents	(125)	26
Net decrease in cash and cash equivalents	(618,025)	(1,663,103)
Cash and cash equivalents, beginning of period	1,911,545	3,574,648
Cash and cash equivalents, end of period	\$ 1,293,520	1,911,545

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Long Bon International Co., Ltd. (the “Company”) was established in January 22, 1988 in accordance with the Company Act of the Republic of China. The Company’s registered office address is located at 9F., No. 50, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.) Originally known as Long Bon Construction Co., Ltd., with its common stock listed on the Taiwan Stock Exchange (TWSE) in September 1992, the Company was renamed Long Bon Development Co., Ltd. in 1997, and renamed Long Bon International Co., Ltd. anew in 2009. The major business activities of the Company and its subsidiaries (the “Group”) are the commercial building rental service and sale, property investment and development, and architecture and civil engineering. Please refer to note 4(c)2. for further information.

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 28, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) Impact of adopting new, revised, or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

The Group has initially adopted the following amendments to IFRS, from January 1, 2021, which did not have any material impact on its consolidated financial statements.

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

The Group has initially adopted the following amendments to IFRS, from April 1, 2021, which did not have any material impact on its consolidated financial statements.

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

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

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

(4) Summary of significant accounting policies:

The significant accounting policies applied in the preparation of these consolidated financial statements are set out as below. Except for changes in accounting policies indicated in note 3, the following accounting policies were adopted consistently throughout the presented periods in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs, IASs, IFRIC Interpretations, and the SIC Interpretations endorsed and issued into effect by the FSC.

- (b) Basis of preparation

- (i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(s).

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), the Group's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle for the preparation of the consolidated financial statements

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

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

When the Group loses control of its subsidiaries, the assets (including goodwill) and liabilities and any non controlling interests of the former subsidiary at their carrying amounts at the date when control is lost will be derecognized and any investment retained in the former subsidiary at its fair value at the date when control is lost will be remeasured in the consolidated financial statement. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
The Company	Everwin Investment Co., Ltd.	Investment	100.00 %	100.00 %	
"	Long Bao Co., Ltd.	Funeral Service	100.00 %	100.00 %	
"	Long Jee Holding(s) Pte Ltd.	Property investment and development	96.89 %	96.89 %	
"	Rei Ju Construction Co., Ltd.	Architecture and civil engineering	90.10 %	90.10 %	
"	Long Fu Real Estate Development Co., Ltd.	Funeral Service	100.00 %	100.00 %	
"	Long De International Development Co., Ltd.	Investment	100.00 %	100.00 %	
Everwin Investment Co., Ltd.	Long Hui Development Co., Ltd.	Investment	100.00 %	100.00 %	
"	Dong Hua International of Golf Recreation Co., Ltd. (originally known as "Bao Hui Development Co., Ltd.")	Exercise facility and amenity	100.00 %	100.00 %	
Long Fu Real Estate Development Co., Ltd.	San Jhih Cih An Yuan Ltd.	Funeral Service	100.00 %	100.00 %	
Long Hui Development Co., Ltd.	Gold Coast Golf Co., Ltd. (originally known as "North Bay Recreation Co., Ltd.")	Exercise facility and amenity	99.41 %	82.13 %	Note
Rei Ju Construction Co., Ltd.	Rei Cheng Construction Co., Ltd.	Architecture and civil engineering	100.00 %	100.00 %	
"	Xiamen Rei Ju Construction Engineer Co.	Construction consultancy	89.23 %	89.23 %	
"	ReiYu Green Energy Technology Co., Ltd.	Architecture and civil engineering	100.00 %	100.00 %	
"	Ryan Development Corp.	Property investment and development	100.00 %	100.00 %	
ReiYu Green Energy Technology Co., Ltd.	Sheng Ji Interior Decoration Co., Ltd.	Interior Decoration	100.00 %	100.00 %	
"	ReBio Green Innovation Co., Ltd.	Environmental Engineering	100.00 %	100.00 %	

Note : The Group acquired 1,556 thousand shares from non-related parties for capital increase by cash of \$70,000 thousand, increasing the cumulative shareholdings of the Group to 99.41%. As a result of changes in percentage of ownership, the capital surplus balance of \$27,839 thousand was recognized.

(iii) Subsidiaries excluded in the consolidated financial statements: None.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currency transactions and operations

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average exchange rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

The Group's primary business activities are construction projects and the leasing of real estate, and the operating cycles are normally more than one year. Assets and liabilities associated with construction projects were classified as either current or non current according to operating cycle spanning between three to five years, and the other assets and liabilities were classified as either current or non current. Assets that met one of the following conditions were recognized as current assets while all other assets that were not current were recognized as non current assets:

- (i) It expected to realize, or intends to be sell or consume it, in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- (i) It is expected to be settled in its 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 date; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amount of cash and are subject to an insignificant risk of changes in their fair 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.

(g) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts 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, transaction costs that are directly attributable to its acquisition or issue. An account 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 or settle date basis.

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

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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 measured at fair value through profit or loss:

- 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.

A financial asset measured at amortized cost is initially recognized at amortized cost, plus/minus the cumulative amortization using the effective interest method, and the measurement of the amortized cost of any loss allowance is adjusted. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at 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, the Group is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading 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 loss 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 derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex dividend date).

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Financial assets at fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost is 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 assets 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 becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

2) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received less the direct issuing cost.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost. 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.

5) Derecognition of financial liabilities

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

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

6) Offsetting of financial assets and liabilities

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

(h) Inventories

The original costs of inventories shall comprise all necessary expenditure incurred in bringing the inventories to their present condition and location and for sale or construction. Besides, the cost of real estate development includes construction cost, land cost, borrowing cost, and project expense. Upon completion, the construction in progress was transferred to buildings and land held for sale, and the operating costs were recognized according to the ratio of sales to construction and development cost. Columbarium under construction, including the cost of land and construction, was reclassified as operating costs for the current period upon completion in accordance with the dimensions of the columbarium niches of which the permanent right of use have been transferred to customers; the remaining columbarium niches were reclassified as columbarium niches for sale. Net realizable value is the balance that estimates the selling price, less, estimated costs of completion and the estimated costs of selling. The methods of determining the net realizable value are as follows:

- (i) Land held for development: the net realizable value is the replacement cost or estimated price (based on the market condition), less, the estimated selling expenses at the end of the period.
- (ii) Building construction and columbarium in progress: the net realizable value is the estimated price (based on the market condition), less, the estimated costs of completion and selling expenses at the end of the period.
- (iii) Real estate and columbarium held for sale: the net realizable value is the estimated price (based on the market condition), less, the estimated selling expenses at the end of the period.

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, investment property is no longer amortized or depreciated.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial reports include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group from the date on which significant influence commences until the date on which significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Group's shareholding percentage in the associate, the Group recognizes equity changes attributable to the Group by its shareholding percentage as capital surplus.

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interest in an associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued, is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. Moreover, a difference shall be debited to retained earnings when the balance of capital surplus resulting from investments accounted for using equity method is not sufficient to be written off. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities

(k) Joint Arrangements

Joint arrangement is the agreement of two or multiple parties with joint controls over a delegated entity. Joint arrangement includes joint operations and joint venture. Its traits are as follows: (a) All parties are bound by the arrangement; (b) Joint arrangement would suggest that at least two parties possess joint control over the arrangements. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group accounts for the assets, liabilities, revenues and expenses in relation to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses. When assessing whether a joint arrangement is a joint operation or a joint venture, the Group considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

(l) Investment property

Investment property is the 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 lives, 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 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.

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline 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 for the current and comparative years of significant items of property, plant, and equipment are as follows:

1)	Buildings	3~55 years
2)	Transportation equipment	5 years
3)	Office equipment	3 years
4)	Other equipment	1~8 years

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

(n) Leases

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

(i) As a lessee

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

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments or penalties 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:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the assessment of whether it will have the option to exercise a purchase; or
- there is a change in its assessment of whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease, or other terms.

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

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

The Group placed right-of-use assets and lease liabilities under the line item in the balance sheet.

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

(ii) As a lessor

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

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

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

(o) Intangible assets

(i) Recognition and measurement

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

Other intangible assets, including computer software purchased by the Group, are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Amortization

Amortization was calculated over the cost of the asset, less its residual value, and was 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 were available for use.

The estimated useful lives for the current and comparative years of significant items of intangible assets are as follows:

- | | |
|----------------------|-----------|
| 1) Computer software | 1~5 years |
|----------------------|-----------|

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

(p) Impairment of non-financial assets

At each reporting date, the Consolidated Company reviews the carrying amounts of its nonfinancial assets (other than inventories, contract assets, 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 cash generating units ("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 individual asset or a CGU is the higher of its value in use and its fair value less costs of disposal. 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 the CGU.

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

Impairment losses are recognized in 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 nonfinancial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization), had no impairment loss been recognized for the assets in prior years.

(q) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is weighting factors based on historical experience of warranty claims rate and other possible outcomes against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(r) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration that the Company expects to be entitled in the transfer of goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The following is a description of the Group's major revenues:

1) Construction contracts

The Group enters into contracts to build residential properties, commercial buildings and public constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days and price adjustment subsidy) are estimated using the expected value method with reference to historical experience. Other variable considerations are estimated using the most likely amount. The Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional public constructions.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For residential properties, and public constructions, the Group offers a standard warranty to provide assurance that they comply with agreed upon specifications and has recognized warranty provisions for this obligation.

2) Land development and sale of real estate

The Group develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

Certain contracts include multiple deliverables, such as sale of residential properties and a decoration service. The Group accounts for the decoration service as a single performance obligation, and the transaction price is allocated to the decoration service on a relative standalone selling price basis. If a standalone selling price is not directly observable, it is estimated based on expected cost plus margin. Decoration services revenue are recognized upon the completion of service.

3) Construction and sale of columbarium niches and tablet

The Group invests in the construction and sale of columbarium niches and memorial tablets. The Group recognizes revenues when control of the product is transferred. Owing to contractual restriction, normally the products have no alternative use for the Group. Therefore, subsequent to the completion of the project, the Group would recognize revenue upon the transfer of the permanent use right to the customer.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In respect of performance obligations for columbarium niche management, management revenue is classified as consideration of the maintenance of the columbarium niche specified in the contract, which conforms to contract specification to satisfy performance obligation over time. Therefore, the Group recognizes revenue when the performance obligations are gradually fulfilled over time.

4) Funeral services

Funeral services revenues are recognized upon the completion of the service.

5) Recreation services

The Group provides sports facilities, catering services, and other related management services. Revenue from sports facility services was recognized upon the completion of services enterprise; catering service revenue was recognized when the merchandise was delivered to the customer.

6) Financing components — advance real estate receipts

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the client; the Group assesses, on a separate contract basis, as to whether the consideration in the contract differs from the current selling price and whether the aforementioned consideration received in advance involves financing factors. The Group requires advance receipt of consideration mainly as a protective measure to mitigate losses on re sale price and the coverage therefor resulted from the default of clients. Therefore, consideration of this sort is not classified as a significant financing component of material financing from clients. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

The Group recognizes the expected recoverable incremental costs incurred in the sales of customer contracts as assets, and amortizes them on a systematic basis consistent with the transfer of presale houses to customers.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

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

(t) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are measured using tax rates enacted or substantively enacted at the reporting date.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, 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 tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (u) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non-controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

(v) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to ordinary equity holders. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares comprise employee stock options.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). The operating results of all operating segments are regularly reviewed by The Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment has its financial information.

(x) Changes in accounting policies

In the second quarter of 2021, the Group in accordance with the newly promulgated interpretations by the Accounting Research and Development Foundation, stipulated that when the parent company prepares the consolidated financial statements, the parent company stock held by the subsidiary shall be recognized as treasury share according to the shareholding ratio of the subsidiary, and the remainder is deducted from non-controlling interests in the consolidated balance sheet.

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In accordance with International Accounting Standard 8 Accounting Policies, Changes in Accounting *Estimates and Errors* (“IAS 8”), the changes in accounting policy shall be applied retrospectively, and the accounting change has no impact on total equity and earnings per share. The results are summarized as follows.

Consolidated balance sheets

<u>January 1, 2020</u>	<u>As previously reported</u>	<u>Impact of changes in accounting policies</u>	<u>As restated</u>
Treasury shares	(681,835)	67,502	(614,333)
Non-controlling interests	267,967	(67,502)	200,465
<u>December 31, 2020</u>			
Treasury shares	(681,835)	67,502	(614,333)
Non-controlling interests	272,480	(67,502)	204,978

Consolidated statement of comprehensive income

	<u>For the years ended December 31</u>			
	<u>2021</u>	<u>2020</u>		
	<u>As reported</u>	<u>As previously reported</u>	<u>Impact of changes in accounting policies</u>	<u>As restated</u>
Basic earnings per share	\$ 2.45	3.05	(0.03)	3.02
Diluted earnings per share	2.45	3.05	(0.03)	3.02

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

The preparation of the consolidated financial statements in conformity requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements: None.

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

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Recognition of profit or loss on project contracts

The major business activities involve construction contracts entered into with clients to provide design as well as technique, and additional works intertwined or interdependent regarding functions or ultimate purposes. When determining the transaction price, the amount of consideration, which may change due to discounts, rebates, penalties, or other similar items. Construction contracts are based on the degree of completion of the contract to recognize contract revenue over time, and the degree of completion is measured by the ratio of the contract cost incurred so far to the estimated total contract cost. The Group considers the nature of each project, estimated construction period, project, construction process, construction method, and estimated contract amount to estimate the change consideration and total contract cost. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

(b) Recognition and measurement of provisions and contingent liabilities

Provision for unsettled litigation and claims is recognized when it is probable that it will result in an outflow of the Group's resources and the amount can be reasonably estimated. Since the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability. Refer to note 9(c) for the description of the lawsuit.

Valuation Processes

The accounting policy and disclosure of the Group include that measuring the financial and nonfinancial assets and financial liabilities at fair value. The Group establishes the relevant internal control system for the fair value measure. Including the establishment of an evaluation team to be responsible for reviewing all significant fair value measurements (including the third level of fair value) and reporting directly to the Chief Financial Officer. The valuation team periodically reviews significant unobservable inputs and adjustments. If the input value used to measure the fair value is used from external third party information (such as broker or pricing service), the evaluation team will evaluate the evidence provided by the third party to support the input value to determine the rating and its fair value class is in compliance with the International Financial Reporting Standards. The evaluation team also reports on major issues to the audit committee of the Group. The investment property is appraised regularly either by the Group's property development segment according to the valuation method and the parametric assumptions announced by FSC or by an external appraiser.

The Group strives to use market observable inputs when measuring assets and liabilities. Fair values are based on the degree to which the fair value can be observed and are grouped into Level 1 to Level 3 as follows:

Level 1: Public offer (unadjusted) of the same asset or liability in the active market.

Level 2: In addition to the public quotation at the first level, the input parameters of the asset or liability are observed directly (ie, price) or indirectly (i.e. derived from the price).

Level 3: Input parameters for assets or liabilities are not based on observable market data (non-observable parameters).

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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For assumptions used in measuring fair value

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Further information on the assumptions used in measuring the fair value

Further information about the assumptions made in measuring fair values is included in the following notes:

- (a) Note 6(u) Financial instrument

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash	\$ 5,708	7,910
Check account deposits	26,109	812
Demand deposits	1,261,703	1,902,823
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 1,293,520</u>	<u>1,911,545</u>

Please refer Note 6(u) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

- (b) Financial assets at fair value through profit or loss

	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss:		
Non-derivative financial assets		
Domestic listed stocks	\$ -	5,182,150
Beneficiary certificate	228,896	11,725
Corporate bonds	-	1,919
Total	<u>\$ 228,896</u>	<u>5,195,794</u>

- (i) The Group had a significant influence on Taisun Enterprise Co., Ltd. since December 2021. For the transfer from financial assets at fair value through profit or loss to investments accounted for using equity method, please refer to Note 6(f).
- (ii) As of December 31, 2021 and 2020, the financial assets at fair value through profit and loss of the Group pledged as collateral, please refer to Note 8.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Non current equity investments at fair value through other comprehensive income		
Domestic listed stocks		
— Taiwan Semiconductor Manufacturing Co., Ltd.	\$ -	22,790
— Bank of Kaohsiung, Ltd.	2,910	-
Domestic listed stocks in emerging market		
— Grand Green Energy Co., Ltd.	22,500	17,850
Domestic unlisted stocks		
— The Reputation International Construction Co., Ltd.	-	181,689
— M Radio Broadcasting Co., Ltd.	4,292	4,191
— Widedoctor (International) Enterprise Co., Ltd.	2,998	4,255
— Chia Ya Investment Co., Ltd.	87,530	87,596
— New Image Medical Co., Ltd.	31,520	24,704
— Chang Hong Energy Technology Co., Ltd.	19,435	26,556
— J-Metrics Technology Co., Ltd.	9,498	20,170
— Linkou Recreation Co., Ltd.	1,127	14,425
— Horseshoe International Enterprise Co., Ltd.	127,559	75,468
Total	\$ <u>309,369</u>	<u>479,694</u>

- (i) The Group holds these equity instruments as long term strategic instrument instead of trading purpose, and are accounted for under fair value through other comprehensive income.
- (ii) During the years ended December 31, 2021 and 2020, the dividends related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized, please refer to Note 6(t).
- (iii) Due to operational considerations, the Group sold the equity instrument investments listed above that were designated as fair value through other comprehensive gains and losses during 2021 and 2020. The sales situation is as follows:

<u>Stock name</u>	<u>Date of sale</u>	<u>Fair value</u>	<u>Cumulative disposal gains and losses</u>
For the Year Ended December 31, 2021			
The Reputation International Construction Co., Ltd.	2021.11.18	\$ 104,065	61,492
Taiwan Semiconductor Manufacturing Co., Ltd.	2021.11.12	36,966	9,509
		\$ <u>141,031</u>	<u>71,001</u>

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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<u>Stock name</u>	<u>Sale date</u>	<u>Fair value</u>	<u>Cumulative disposal gains and losses</u>
For the Year Ended December 31, 2020			
J&V Energy Technology Co., Ltd.	2020.06.30	\$ <u>85,000</u>	<u>(15,000)</u>

The Group has transferred cumulative disposal gains from other equity interest to retained earnings.

(iv) Please refer to Note 6(u) for credit risk and market risk.

(d) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Note receivables from operating activities	\$ 326,143	313,159
Trade receivables—measured as amortized cost	935,639	425,076
Less: Loss allowance	<u>(396)</u>	<u>(26)</u>
Total	<u>\$ 1,261,386</u>	<u>738,209</u>

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

The Group's notes and accounts receivable arose from mediation and litigation the construction segment entered into are detailed as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The amount of mediation or litigation	\$ 159,115	73,434
Less: Expected loss (Note)	<u>(53,200)</u>	<u>(28,054)</u>
Total	<u>\$ 105,915</u>	<u>45,380</u>

Note: Losses that may occur were assessed based on mediation or litigation in each case, deemed as changes in the estimated contract price, and recognized as a deduction from operating revenue. Please refer to Note 9 for details.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The loss allowance provisions of other receivables were determined as follows:

December 31, 2021			
	Carrying amount of notes and accounts receivable	Weighted- average loss rate	Loss allowance Provision
Current	1,129,590	0%	-
Less than 60 days past due (Note)	25,558	0%	-
60 to 180 days past due	197	0%~3%	-
180 to 360 days past due	-	5%	-
Over 360 days past due	<u>522</u>	100%	<u>396</u>
	<u>\$ 1,155,867</u>		<u>396</u>

December 31, 2020			
	Carrying amount of notes and accounts receivable	Weighted- average loss rate	Loss allowance Provision
Current	676,657	0%	-
Less than 60 days past due (Note)	15,563	0%	-
60 to 180 days past due	91	0%~3%	3
180 to 360 days past due	544	5%	23
Over 360 days past due	<u>-</u>	100%	<u>-</u>
	<u>\$ 692,855</u>		<u>26</u>

Note: The amount has been recovered before the date of presentation of the consolidated financial report.

The movements in the allowance for notes and account receivables for 2021 and 2020 were as follows:

For the Years Ended December 31		
	2021	2020
Beginning balance	\$ 26	26
Impairment losses	<u>370</u>	<u>-</u>
Ending balance	<u>\$ 396</u>	<u>26</u>

As of December 31, 2021 and 2020, the Group didn't provide any receivables as collateral for its borrowings.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(e) Inventory

	December 31, 2021	December 31, 2020
Land held for construction site	\$ 1,348,483	1,470,011
Building and columbarium construction in progress	1,532,319	1,476,307
Properties and land held for sale	14,683	15,727
Cemetery plots and columbarium niches for sale	699,459	694,620
Prepayment for land and building	265,283	244,248
Less: Allowance for obsolete inventory	<u>(4,151)</u>	<u>(4,151)</u>
	<u>\$ 3,856,076</u>	<u>3,896,762</u>
Inventory expected to be recovered exceeds twelve months	<u>\$ 3,554,595</u>	<u>3,856,593</u>

(i) The details of the cost of goods sales for 2021 and 2020 were as follows:

	For the Years Ended December 31 2021	2020
Inventory that has been sold	\$ 4,704	34,540
Construction cost	10,452,250	9,863,652
Recreation cost	90,551	42,997
Rent cost	15,196	11,865
Funeral service cost	<u>52,983</u>	<u>43,597</u>
	<u>\$ 10,615,684</u>	<u>9,996,651</u>

(ii) In April and July 2020, the Group acquired shares of San Jhih Tzu An Yuan Ltd., as well as 103 pieces of burial land located at Xinzhuangzi and Guizishan, Sanzhi Dist., New Taipei City and 2 buildings thereon, with an additional clause to agreement that the Group shall fulfill its obligation to manage the 91 pieces of burial land without superficies. The contract consideration amounted to \$525,771 thousand (including directly attributable costs), and the acquisition price of aforementioned assets and liabilities were determined as follows:

Long term equity investment	\$ 19
Cemetery plots and columbarium niches held for sale	443,643
Property, plant and equipment —land	198,888
Property, plant and equipment —building	5,039
Provisions (includ current and non-current portion)	<u>(121,818)</u>
	<u>\$ 525,771</u>

(iii) The subsidiary possessed the land located at Xinweiling, Nantou City, in its individual name, and the land has been mortgaged to the subsidiary.

(iv) Details on inventory the Group had been pledged as collateral as of December 31, 2021 and 2020, please refer to Note 8.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Investments accounted for using equity method

The Group's investments accounted for using the equity method at reporting date were as follows:

	December 31, 2021	December 31, 2020
Rei Jhao Engineer Ltd.	\$ 1,008	1,064
Rei Ying Construction Co, Ltd.	1,753	2,765
Sky Honor International Co.,Ltd.	10,677	-
Taisun Enterprise Co., Ltd.	4,349,563	-
	\$ 4,363,001	3,829

- (i) In order to expand the business, the board of directors of the Group decided to jointly invest with Zhaoxin Co., Ltd. to establish Sky Honor International Co., Ltd. on June 28, 2021.
- (ii) The Group obtain two seats in Taisun's Board of Directors on December 16, 2021, Therefore, the Group will have a significant influence on Taisun. After re-assessing the fair value of the shareholding percentage of 31.97%, amounting to \$4,331,339 thousand, held by the Group in Taisun, the financial assets at fair value through profit or loss were reclassified to investments accounted for using equity method, and the benefits measured at fair value have been recognized as net income of financial assets measured at fair value through profit or loss under other gains and losses. Subsequently, the Group continued to acquire the shareholding percentage of 32.1%, amounting to \$18,224 thousand, in the open market on December 31, 2021.

(iii) Associates

Associates which are material to the Group consisted of the followings:

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights	
			December 31, 2021	December 31, 2020
Taisun Enterprise Co., Ltd.	Processing and retailing of food, beverages	Taiwan	32.1 %	Note

Note: Associates which have significant influence since December 16, 2021.

The fair value of associates listed on the Stock Exchange (over the counter) which are material to the Group are as follows:

	December 31, 2021
Taisun Enterprise Co., Ltd.	\$ 4,381,568

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRS financial statements of these associates:

1) Taisun Enterprise Co., Ltd.

	December 31, 2021
Current assets	4,581,044
Non current assets	6,057,232
Current liabilities	2,361,918
Non current liabilities	1,285,231
Net assets	<u><u>\$ 6,991,127</u></u>
Net assets attributable to non-controlling interests	<u><u>\$ 5,145</u></u>
Net assets attributable to owners of parent	<u><u>\$ 6,985,982</u></u>
	2021.12.16~ 2021.12.31
Operating revenue	<u><u>\$ 435,944</u></u>
Profit from continuing operations	\$ 25,951
Other comprehensive income	2,133
Total comprehensive income	<u><u>\$ 28,084</u></u>
Comprehensive income (loss) attributable to non-controlling interests	<u><u>\$ 9</u></u>
Comprehensive income (loss) attributable to owners of parent	<u><u>\$ 28,075</u></u>
	2021.12.16~ 2021.12.31
Share of net assets of associates as of January 1	\$ -
Comprehensive income attributable to the Group	-
Share of net assets received from associates	2,242,500
Share of net assets of associates as of December 31	2,242,500
Add: Goodwill	2,107,063
Carrying amount of interests of associates as of December 31	<u><u>\$ 4,349,563</u></u>

The fair values of the above assets and liabilities were determined on a tentative basis, and the final evaluation of these assets and liabilities has yet to be completed. The Group continues to review the above matters during the measurement period. If, within one year from the date of acquisition, new information relating to the facts and circumstances that existed at the date of acquisition can be identified, the adjustments to the above provisional amounts or any additional provision for liabilities at the date of acquisition, as well as the accounting of the acquired affiliate, will be revised.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iv) Aggregated Financial Information- Individually insignificant associates

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2021	December 31, 2020
Carrying amount of individually insignificant associates' equity as of December 31	<u><u>\$ 13,438</u></u>	<u><u>3,829</u></u>
	For the Years Ended December 31	
	2021	2020
Attributable to the Group:		
Profit (loss) from continuing operations	\$ (3,890)	(1,221)
Other comprehensive (loss) income	<u>-</u>	<u>-</u>
Comprehensive income	<u><u>\$ (3,890)</u></u>	<u><u>(1,221)</u></u>

(v) Guarantees

As of December 31, 2021 and 2020, the Group provides investment accounted for using equity method as collaterals for its loans, please refer to note 8.

(g) Business combination

(i) Acquisition of subsidiary - Gold Coast Golf Co., Ltd. (Originally known as "North Bay Recreation Co., Ltd.")

On July 22, 2020, the Group obtained control over the company after acquiring 67% of the shareholdings in Gold Coast Golf Co., Ltd., a company that provides sports facility.

The major categories of considerations transferred, assets acquired, liabilities and goodwill assumed on the acquisition date were as follows:

- 1) The following table summarizes the acquisition date fair value of major class of consideration transferred.

Cash	\$ <u><u>315,206</u></u>
------	--------------------------

- 2) Identifiable assets acquired and liabilities assumed

The following table summarizes the carrying amount of identifiable assets acquired and liabilities assumed recognized on the acquisition date:

Cash and cash equivalents	\$ 11,290
Accounts receivables	1,425
Other current assets	953
Non-current financial assets at amortized cost	484
Property, plan and equipment	3,245,320

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Investment property	176,624
Deferred tax assets	1,301
Other non-current financial assets	2,611
Other non-current assets	27,533
Short-term notes and bills payable	(409,800)
Contract liabilities	(7,024)
Notes payables	(3,300)
Accounts payables	(231)
Other payables	(6,641)
Other current liabilities	(25,123)
Long-term borrowings	(3,653)
Deferred tax liabilities	(559,137)
Guarantee deposits received	<u>(1,988,074)</u>
Fair value of net identifiable assets and liabilities	\$ <u><u>464,558</u></u>

3) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	\$ 315,206
Less: Fair value of identifiable assets (measured at percentage of ownership)	<u>311,253</u>
Goodwill	\$ <u><u>3,953</u></u>

On August 24 and November 30, 2020, the Group acquired 2,158 thousand shares to non related parties for capital increase by cash of \$55,392 thousand, and 7,392 thousand shares for capital increase by cash of \$73,913 thousand, increasing the cumulative shareholdings of the Group to 82.13%. As a result of changes in percentage of ownership, the capital surplus balance of \$16,957 thousand was recognized.

The purchase price allocation report on the subsidiary acquired was based on the valuation by an independent evaluator who has certified professional qualification and related valuation experience in the subject being evaluated.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(h) Property, plant and equipment

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

	Land	Buildings	Transportation equipment	Office equipment	Golf course and equipment	Other equipment	Construction in progress	Total
Cost or deemed cost:								
Balance on January 1, 2021	\$ 5,177,113	1,000,811	3,888	40,105	41,300	55,062	-	6,318,279
Additions	50,481	16,281	6,316	2,397	1,294	39,440	5,453	121,662
Transferred to inventory	(2,241)	(2,598)	-	-	-	-	-	(4,839)
Disposal	-	-	(5,935)	-	(110)	-	-	(6,045)
Transferred from prepayment	12,578	-	-	-	-	-	-	12,578
Effect of movements in exchange rates	-	-	-	(26)	-	-	-	(26)
Balance on December 31, 2021	<u>\$ 5,237,931</u>	<u>1,014,494</u>	<u>4,269</u>	<u>42,476</u>	<u>42,484</u>	<u>94,502</u>	<u>5,453</u>	<u>6,441,609</u>
Balance on January 1, 2020	\$ 119,959	80,819	3,123	24,265	-	51,029	-	279,195
Additions	1,624,026	51,257	-	1,432	550	5,852	-	1,683,117
Acquisition through business combination	3,086,315	846,217	900	14,612	49,339	-	7,312	4,004,695
Transferred from prepayment	328,479	-	-	-	-	-	-	328,479
Transferred from investment property	18,879	23,146	-	-	-	-	-	42,025
Disposal	(545)	(628)	(135)	(262)	(8,589)	(1,819)	-	(11,978)
Impairment	-	-	-	-	-	-	(7,312)	(7,312)
Effect of movements in exchange rates	-	-	-	58	-	-	-	58
Balance on December 31, 2020	<u>\$ 5,177,113</u>	<u>1,000,811</u>	<u>3,888</u>	<u>40,105</u>	<u>41,300</u>	<u>55,062</u>	<u>-</u>	<u>6,318,279</u>
Depreciation and impairments loss:								
Balance on January 1, 2021	\$ -	744,225	3,115	31,884	34,819	37,493	-	851,536
Depreciation for the year	-	14,308	420	3,015	1,507	6,647	-	25,897
Transferred to inventory	-	(1,179)	-	-	-	-	-	(1,179)
Disposal	-	-	(75)	-	(92)	-	-	(167)
Effect of movements in exchange rates	-	-	-	(24)	-	-	-	(24)
Balance on December 31, 2021	<u>\$ -</u>	<u>757,354</u>	<u>3,460</u>	<u>34,875</u>	<u>36,234</u>	<u>44,140</u>	<u>-</u>	<u>876,063</u>
Balance on January 1, 2020	\$ -	17,935	2,385	18,395	-	35,631	-	74,346
Depreciation for the year	-	8,563	277	1,820	869	3,681	-	15,210
Acquisition through business combination	-	705,881	566	11,836	41,092	-	-	759,375
Transferred from investment property	-	12,110	-	-	-	-	-	12,110
Disposal	-	(264)	(113)	(218)	(7,142)	(1,819)	-	(9,556)
Effect of movements in exchange rates	-	-	-	51	-	-	-	51
Balance on December 31, 2020	<u>\$ -</u>	<u>744,225</u>	<u>3,115</u>	<u>31,884</u>	<u>34,819</u>	<u>37,493</u>	<u>-</u>	<u>851,536</u>
Carrying amounts:								
Balance on December 31, 2021	<u>\$ 5,237,931</u>	<u>257,140</u>	<u>809</u>	<u>7,601</u>	<u>6,250</u>	<u>50,362</u>	<u>5,453</u>	<u>5,565,546</u>
Balance on December 31, 2020	<u>\$ 5,177,113</u>	<u>256,586</u>	<u>773</u>	<u>8,221</u>	<u>6,481</u>	<u>17,569</u>	<u>-</u>	<u>5,466,743</u>
Balance on January 1, 2020	<u>\$ 119,959</u>	<u>62,884</u>	<u>738</u>	<u>5,870</u>	<u>-</u>	<u>15,398</u>	<u>-</u>	<u>204,849</u>

- (i) The subsidiary possesses in its individual name the land located at Xiajiao, Shihmen District, New Taipei City, for which asset preservation measures have been taken.
- (ii) For details on property, plant and equipment, the Group had been pledged as collateral as of December 31, 2021 and 2020, please refer to Note 8.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(i) Investment Property

Investment property comprises proprietary assets of the Group. The original non-cancellable periods of the leased investment property ranges from one to three years, and some leases include an option to renew the lease for an additional period of the same duration at the end of the contract term.

The rental income of all leased investment properties is in fixed amounts.

The movements in investment property of the Group for 2021 and 2020 were as follows:

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 881,919	438,433	1,320,352
Addition	580,598	107,678	688,276
Disposal	(110,432)	(185,444)	(295,876)
Transferred from inventory	101,110	3,705	104,815
Transferred from prepayment	193,435	36,845	230,280
Transferred to non-current assets held for sale	(56,248)	(25,931)	(82,179)
Balance on December 31, 2021	<u>\$ 1,590,382</u>	<u>375,286</u>	<u>1,965,668</u>
Balance on January 1, 2020	\$ 548,002	445,933	993,935
Addition	247,485	48,582	296,067
Acquisition through business combination	176,624	-	176,624
Disposals	(71,313)	(32,936)	(104,249)
Transferred to property, plant and equipment	(18,879)	(23,146)	(42,025)
Balance on December 31, 2020	<u>\$ 881,919</u>	<u>438,433</u>	<u>1,320,352</u>
Accumulated depreciation and impairment losses:			
Balance on January 1, 2021	\$ 85,491	185,095	270,586
Depreciation for the year	-	9,061	9,061
Disposals	(26,665)	(104,660)	(131,325)
Transferred to non-current assets held for sale	-	(1,757)	(1,757)
Balance on December 31, 2021	<u>\$ 58,826</u>	<u>87,739</u>	<u>146,565</u>
Balance on January 1, 2020	\$ 85,491	189,780	275,271
Depreciation for the year	-	8,912	8,912
Disposals	-	(1,487)	(1,487)
Transferred to non-current assets held for sale	-	(12,110)	(12,110)
Balance on December 31, 2020	<u>\$ 85,491</u>	<u>185,095</u>	<u>270,586</u>

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	Land and improvements	Buildings	Total
Carrying amounts:			
Balance on December 31, 2021	\$ <u>1,531,556</u>	<u>287,547</u>	<u>1,819,103</u>
Balance on December 31, 2020	\$ <u>796,428</u>	<u>253,338</u>	<u>1,049,766</u>
Balance on January 1, 2020	\$ <u>462,511</u>	<u>256,153</u>	<u>718,664</u>
Fair value:			
Balance on December 31, 2021			\$ <u>2,197,524</u>
Balance on December 31, 2020			\$ <u>1,315,575</u>

- (i) Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period that runs from 1 to 5 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged.
- (ii) At the end of 2021, the Group decided to dispose of some investment properties, and completed the contract on February 10, 2022. The investment properties were accordingly presented as non-current assets held for sale, and there was no indication of significant impairment when measured at the lower with book value and net realizable value. In addition, the disposal benefits of \$13,593 thousand arising from the disposal of investment properties by the Group in 2021 were presented under " other gains and losses ".
- (iii) Fair value of investment properties was determined based on the market price of a similar item in the vicinity as well as the valuation of an independent appraiser (who had a recognized and relevant professional qualification, and recent experience in valuating similar items to the investment property being valued in location and type). The inputs used in the fair value valuation technique were market values classified as Level 3.
- (iv) As of December 31, 2021 and 2020, a portion of the Group's investment property was pledged as collateral for bank loans; please refer to Note 8.
- (j) Short-term borrowings

The details of short term borrowings were as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ 960,240	431,501
Secured bank loans	3,111,616	3,446,681
Total	\$ <u>4,071,856</u>	<u>3,878,182</u>
Unused credit lines	\$ <u>1,094,882</u>	<u>2,185,825</u>
Range of interest rates	<u>1.35%~2.8%</u>	<u>1.31%~2.5%</u>

For the collateral for bank loans, please refer to Note 8.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Short-term notes and bills payable

The details of the Group's short term notes and bills payable were as follows:

December 31, 2021			
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Shanghai Commercial & Savings Bank	1.24%~1.32%	\$ 500,000
	Mega bills	2.29%	382,000
	Union Bank of Taiwan	1.5%	100,000
			982,000
Less: Discount on short-term notes and bills payable			(424)
Total			\$ 981,576

December 31, 2020			
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Union Bank of Taiwan	0.71%~1.32%	\$ 200,000
	Mega bills	1.2%	382,000
			582,000
Less: Discount on short-term notes and bills payable			(1,026)
Total			\$ 580,974

The Group has pledged its assets as collateral for short term notes and bills payable, please refer to Note 8.

(l) Long-term borrowings

The Group's long-term borrowings details, conditions and provisions were as follows:

	December 31, 2021			
	Currency	Range of interest rates	Matured date	Amount
Secured loans	TWD	1.60%~2.75%	From August 2022 to July 2028	\$ 1,583,909
Less: Issuance cost on syndicated loan				(3,780)
Less: current portion				(240,775)
Total				<u>\$ 1,339,354</u>
Unused credit lines				<u>\$ 1,090,200</u>

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020			
	Currency	Range of interest rates	Matured date	Amount
Secured loans	TWD	1.91%~2.75%	From August 2022 to November 2024	\$ 337,719
Less: Issuance cost on syndicated loan				(6,300)
Less: current portion				(50,109)
Total				\$ 281,310
Unused credit lines				\$ 735,000

(i) For the collateral for long term borrowings, please refer to Note 8.

(ii) On June 27, 2018, the subsidiary entered into a syndicated loan agreement amounting to \$2,100,000 thousand with Yuanta Bank and six other banks, and the term of loan was five years. Land and buildings of the subsidiary were as collateral for the aforementioned joint loan. Pursuant to the covenant of the loan agreement, on May 18, 2020, the subsidiary transferred 24,000 thousand ordinary shares of Long Bon International Co., Ltd. into its securities depository account as well as signed and submitted to the financial institution the application form for book entry securities', a pledge, and document pertaining to the exercise of pledge. Besides, a deposit of \$60,000 thousand, which could not be counted in the minimum balance, was required for the reserve account specified in the loan agreement. The agreed financial ratios of subsidiaries set out in the syndicated loan agreement were as follows:

- 1) Current ratio (Current assets/Current liabilities): Not less than 100%.
- 2) Debt ratio of financial institution (total borrowings of financial institution/tangible net worth): Shall not exceed 150%.
- 3) Interest coverage ratio **【** (Profit before tax + interest expenses + amortization and depreciation)/ interest expenses **】** : Not lower than four times.
- 4) Tangible net assets value (shareholders' equity — intangible assets): shall not be less than NT\$800 million.

(m) Bonds payable

(i) The details of secured bonds issued by the Group were as follows:

	December 31, 2021	December 31, 2020
Secured corporate bonds	\$ -	2,500,000
Unamortized discounted corporate bonds payable	-	(30,270)
Corporate bonds issued balance at year end	<u><u>\$ -</u></u>	<u><u>2,469,730</u></u>

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) As of December 31, 2020, the key terms and conditions of the outstanding bonds issued by the Group were as follows:

<u>Item</u>	<u>1st secured convertible bonds issued in 2017</u>
Total Amount	\$2,500,000 thousand
Issue Date	September 12, 2017
Coupon rate	1.02%
Issue Period	September 12, 2017 ~ September 12, 2022
LC Bank	Taiwan Cooperative Bank, Ltd.
Entrusted Bank	Jih Sun International Bank, Ltd.
Redemption at Maturity	The Company can repay the principal once the Company's bonds expire five years from the issuance date.

- (iii) The Group called back 2,500 secured corporate bonds in advance in 2011, with a face value of \$2,500,000 thousand, and recognized the loss of \$28,772 thousand and accounted for other gains and losses.

- (iv) For the collateral for bonds payable, please refer to Note 8.

(n) Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the underlying assets. Please refer to note 6(i) "Investment property" for details.

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

	December 31, 2021	December 31, 2020
Less than one year	\$ 23,747	16,310
1 to 2 years	17,007	13,146
2 to 3 years	15,200	11,237
3 to 4 years	12,655	9,915
4 to 5 years	9,162	7,176
Over five years	3,810	10,547
	\$ 81,581	68,331

The rent revenues and related operating costs arised from investment property in 2021 and 2020, please refer to Note 6(e) and (r).

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Income tax

(i) Income tax expense

The amounts of income tax expense for 2021 and 2020 were as follows:

	For the Years Ended December 31	
	2021	2020
Current income tax expense	\$ 62,320	142,549
Land value increment tax	1,224	606
Undistributed earnings additional tax	36,849	50,948
Adjustment for prior years	(245)	(25,927)
	<u>100,148</u>	<u>168,176</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>12,950</u>	<u>(64,993)</u>
Income tax expense	\$ 113,098	103,183

The amount of income tax gains (expense) recognized in other comprehensive income for 2021 and 2020 were as follows:

	For the Years Ended December 31	
	2021	2020
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ <u>4</u>	<u>(27)</u>

Reconciliation of income tax and profit before tax for 2021 and 2020 is were follows.

	For the Years Ended December 31	
	2021	2020
Profit before income tax	\$ 1,023,510	1,231,520
Income tax using the Company's domestic tax rate	\$ 315,061	336,421
Effect of investment gain recognized using equity method	(111,799)	(94,140)
Valuation loss on financial assets	(50,616)	(26,555)
Suspended levy of securities transaction income tax	(46,167)	(122,515)
Non-deductible expenses	10,866	6,672
Non-taxable income from land transactions	220	(1,569)
Dividend income	(39,956)	(26,694)
Land value increment tax	1,224	606
Undistributed earnings additional tax	36,849	50,948
Change in unrecognized temporary differences	(12,473)	(917)
Movements in tax losses on unrecognized deferred tax assets	10,623	8,810
Adjustment for prior years	(245)	(25,927)
Others	<u>(489)</u>	<u>(1,957)</u>
Income tax expense	\$ 113,098	103,183

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group's unrecognized deferred tax liabilities are detailed as follows:

	December 31, 2021	December 31, 2020
Book tax difference of management fee income	<u>\$ 692</u>	<u>737</u>

2) Unrecognized deferred tax assets

The Group's unrecognized deferred income tax assets were composed of the following items:

	December 31, 2021	December 31, 2020
Deductible temporary differences	\$ 49,198	61,953
Unrealized project expenses	145	1,202
Book tax difference of provision	23,598	23,985
The carryforward of unused tax losses	<u>10,964</u>	<u>42,399</u>
	<u>\$ 83,905</u>	<u>129,539</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The temporary difference associated with the net losses was not recognized as deferred tax assets as the Group is not expected to have sufficient taxable income to offset against temporary difference in the foreseeable future.

As of December 31, 2021, the net losses that have not been recognized as deferred tax assets and the expiration years were as follows:

Year of loss	Unused tax loss	Expiry year
2012	\$ 3,006	2022
2018	633	2028
2019	3,644	2029
2020	36,087	2030
2021	<u>11,448</u>	2031
	<u>\$ 54,818</u>	

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

		Capitalized interest	Land value increment	Total
Deferred tax liabilities:				
Balance on January 1, 2021	\$	370	496,585	496,955
Debit (credit) on income statement		<u>664</u>	<u>(1,034)</u>	<u>(370)</u>
Balance on December 31, 2021	\$	<u>1,034</u>	<u>495,551</u>	<u>496,585</u>
Balance on January 1, 2020		216	-	216
Effect of acquisition through business combination		-	559,137	559,137
Debit (credit) on income statement		<u>154</u>	<u>(62,552)</u>	<u>(62,398)</u>
Balance on December 31, 2020	\$	<u>370</u>	<u>496,585</u>	<u>496,955</u>

	Unrealized project expenses costs and losses	Effect of investments accounted for using equity method	Book tax difference at taxation time	Loss deduction	Other	Total
Deferred tax assets:						
Balance on January 1, 2021	\$ 57,841	4,840	13,758	6,614	23,958	107,011
(Debit) Credit on income statement	(3,898)	885	(10,317)	3,418	(3,408)	(13,320)
(Debit) Credit on other comprehensive income	-	-	-	-	4	4
Balance on December 31, 2021	\$ <u>53,943</u>	<u>5,725</u>	<u>3,442</u>	<u>10,032</u>	<u>20,554</u>	<u>93,695</u>
Balance on January 1, 2020	\$ 58,689	3,557	18,581	2,417	19,898	103,142
Effect of acquisition through combination	-	-	1,247	-	54	1,301
(Debit) Credit on income statement	(848)	1,283	(6,070)	4,197	4,033	2,595
(Debit) Credit on other comprehensive income	-	-	-	-	(27)	(27)
Balance on December 31, 2020	\$ <u>57,841</u>	<u>4,840</u>	<u>13,758</u>	<u>6,614</u>	<u>23,958</u>	<u>107,011</u>

(iii) Assessment by tax authorities

- 1) The Company's income tax return for the year 2018 have been approved by the R.O.C. tax authorities.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) The Company's other R.O.C. subsidiaries' income tax return for the following years have been approved by the tax authorities:

<u>Approval year</u>	<u>Company Name</u>
2019	Everwin Investment Co, Ltd.
2019	Long Bao Co., Ltd.
2019	Rei Ju Construction Co., Ltd.
2019	ReiYu Green Energy Technology Co., Ltd.
2019	Rei Cheng Construction Co., Ltd.
2019	Sheng Ji Interior Decoration Co., Ltd.
2019	ReBio Green Innovation Co., Ltd.
2019	Ryan Development Corp.
2019	San Jih Cih An Yuan Ltd.
2019	Gold Coast Golf Co., Ltd.
2020	Long Fu Real Estate Development Co., Ltd.

(p) Capital and other equity

As of both December 31, 2021 and 2020, the Company's authorized share capital amounted to \$7,200,000 thousand, divided into 720,000 thousand shares, with a par value of \$10 per share. The paid in capital was \$3,947,293 thousand. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years end December 31, 2021 and 2020 were as follows:

(Expressed in thousands of shares)

	<u>Ordinary Shares</u>	
	<u>2021</u>	<u>2020</u>
Balance on January 1	394,729	404,729
Retirement of treasury share	-	(10,000)
Balance on December 31	<u><u>394,729</u></u>	<u><u>394,729</u></u>

(i) Capital surplus

The components of capital surplus were as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Premium on convertible bond	\$ 15,731	15,731
Treasury share transactions	11,440	11,440
Produced by long-term equity investment	<u>147,301</u>	<u>119,462</u>
	<u><u>\$ 174,472</u></u>	<u><u>146,633</u></u>

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. Capital surplus included the income was derived from the issuance of new shares at a premium and income from the endowments received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(ii) Retained earnings

The Company's article of incorporation stipulate 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.

The Company's dividend policy was stipulated by the Board of Directors based on its operating and investment plans, capital budget, and changes in internal and external environment. As the Company is currently in its growing phase, retained earnings must be used to finance its operating growth and investment needs, it has adopted a residual dividend policy with the balance of dividends taken into consideration, wherein the cash dividends shall be no less than 10 percent of the total dividends.

1) Legal reserve

If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid in capital, the excess may, pursuant to a resolution reached at a shareholders' meeting, be transferred to capital or distributed in cash.

2) Special reserve

A special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

A special reserve shall be retained at an amount equal to the proportionate share of the carrying value of the treasury stock held by subsidiaries in excess of the market value at the reporting date. The special reserve may be reversed when the market value recovers in subsequent periods.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

The Company, pursuant to the resolution reached in shareholder' meeting held on August 20, 2021 and June 18, 2020 , did not appropriate the earnings for 2020 and 2019.

(iii) Treasury stock

- 1) In the second quarter of 2021, the Group in accordance with the newly promulgated interpretations by the Accounting Research and Development Foundation, stipulated that when the parent company prepares the consolidated financial statements, the parent company stock held by the subsidiary shall be recognized as treasury share according to the shareholding ratio of the subsidiary, and the remainder is deducted from non-controlling interests in the consolidated balance sheet. In accordance with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"), the changes in accounting policy shall be applied retrospectively.
- 2) The Company's treasury shares, held by Rei Ju Construction Co., Ltd., a subsidiary as of December 31, 2021 and 2020, were as followed:

	December 31, 2021	December 31, 2020 (Adjusted)
Shares held by subsidiaries (thousands)	<u><u>36,609</u></u>	<u><u>36,609</u></u>
Acquisition cost	<u><u>\$ 689,461</u></u>	<u><u>689,461</u></u>
Stock market price	<u><u>\$ 647,972</u></u>	<u><u>525,333</u></u>
Amount of treasury shares- attributable to owners of parent	<u><u>\$ 614,333</u></u>	<u><u>614,333</u></u>

- 3) Pursuant to the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 10,000 thousand treasury shares at the cost of \$129,788 thousand, in order to protect its credit and shareholders' equity. Pursuant to Order No. 1090344919 issued by the FSC on May 25, 2020, the Company reported a repurchase of its own shares. Subsequent to that, the Company, according to a resolution made in a meeting of Board of Directors, retired 10,000 thousand treasury shares on June 19, 2020, which was recorded as the date of retirement. Consequently, the Company recognized a decrease of \$100,000 thousand in ordinary shares, \$398 thousand in capital surplus, and \$29,390 thousand in undistributed earnings.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non- controlling interests (Adjusted)	Total
Balance on January 1, 2021	\$ 14,473	(40,549)	204,978	178,902
Exchange differences on translation of net assets of foreign operations	(537)	-	(21)	(558)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	(70,060)	941	(69,119)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(77,686)	(511)	(78,197)
Difference between consideration and carrying amount of the equity interests in subsidiaries acquired	-	-	(97,839)	(97,839)
Profit attributable to non-controlling interests	-	-	24,028	24,028
Cash dividends paid to NCIs by the subsidiary	-	-	(25,987)	(25,987)
Balance on December 31, 2021	<u>\$ 13,936</u>	<u>(188,295)</u>	<u>105,589</u>	<u>(68,770)</u>
Balance on January 1, 2020	\$ 14,712	(85,507)	267,967	197,172
Effects of retrospective application	-	-	(67,502)	(67,502)
Balance on January 1, 2020 after adjustments	14,712	(85,507)	200,465	129,670
Exchange differences on translation of net assets of foreign operations	(239)	-	17	(222)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	15,000	-	15,000
Loss of control—subsidiary	-	-	(1,610)	(1,610)
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	-	29,958	991	30,949
Difference between consideration and carrying amount of the equity interests in subsidiaries acquired	-	-	(164,334)	(164,334)
Profit attributable to non-controlling interests	-	-	27,700	27,700
Cash dividends paid to NCIs by the subsidiary	-	-	(12,182)	(12,182)
Acquisition through business combination	-	-	153,305	153,305
Changes in ownership interests in a subsidiary	-	-	(16,957)	(16,957)
Gains (losses) on remeasurements of defined benefit plans	-	-	(5)	(5)
Increase in non-controlling interests	-	-	17,588	17,588
Balance on December 31, 2020	<u>\$ 14,473</u>	<u>(40,549)</u>	<u>204,978</u>	<u>178,902</u>

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Earnings per share

(i) Basic earnings per share

The following table sets out the Group's basic earnings per share calculated based on the profit attributable to the Company's ordinary equity holders and the weighted average number of ordinary shares outstanding:

1) Profit attributable to ordinary shareholders of the Company

	For the Years Ended December 31	
	2021	2020
Profit attributable to the Company	\$ <u>886,384</u>	<u>1,100,637</u>

2) Weighted average number of ordinary shares outstanding

	For the Years Ended December 31	
	2021	2020 (Adjusted)
Weighted-average number of ordinary shares outstanding	394,729	404,729
Effect of treasury shares	(32,985)	(40,690)
Weighted average number of ordinary shares on 31 December	<u>361,744</u>	<u>364,039</u>
Earnings per share	\$ <u>2.45</u>	<u>3.02</u>

(ii) Diluted earnings per share

The calculation of the Group's diluted earnings per share based on the profit attributable to the Company's ordinary equity holders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares is as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	For the Years Ended December 31	
	2021	2020
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>886,384</u>	<u>1,100,637</u>

2) Weighted average number of ordinary shares (diluted)

	For the Years Ended December 31	
	2021	2020
Weighted average number of ordinary shares (basic)	361,744	364,039
Employee share bonus	705	991
Weighted average number of ordinary shares (diluted) on December 31	<u>362,449</u>	<u>365,030</u>
Diluted earnings per share	\$ <u>2.45</u>	<u>3.02</u>

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(r) Revenue from contracts with customers

(i) Disaggregation of revenue

		For the Year Ended December 31, 2021				
		Property development	Funeral services	Construction engineering	Recreation	Total
Primary geographical markets:						
Taiwan	\$	74,163	165,859	10,988,105	187,154	11,415,281
Mainland China		-	-	10,343	-	10,343
	\$	<u>74,163</u>	<u>165,859</u>	<u>10,998,448</u>	<u>187,154</u>	<u>11,425,624</u>
Major products:						
Rental revenue (Note)	\$	42,816	-	1,604	6,085	50,505
Real estate revenue		31,347	-	-	-	31,347
Revenue from sale of burial ground and columbarium niches		-	160,339	-	-	160,339
Construction revenue		-	5,520	10,996,844	-	11,002,364
Recreation revenue		-	-	-	181,069	181,069
	\$	<u>74,163</u>	<u>165,859</u>	<u>10,998,448</u>	<u>187,154</u>	<u>11,425,624</u>
		For the Year Ended December 31, 2020				
		Property development	Funeral services	Construction engineering	Recreation	Total
Primary geographical markets:						
Taiwan	\$	18,837	148,038	10,516,686	83,388	10,766,949
Mainland China		-	-	9,375	-	9,375
	\$	<u>18,837</u>	<u>148,038</u>	<u>10,526,061</u>	<u>83,388</u>	<u>10,776,324</u>
Major products:						
Rent revenue (Note)	\$	18,837	-	2,200	1,771	22,808
Revenue from sale of burial ground and columbarium niches		-	119,598	-	-	119,598
Funeral services revenue		-	27,559	-	-	27,559
Construction revenue		-	881	10,523,861	-	10,524,742
Recreation revenue		-	-	-	81,617	81,617
	\$	<u>18,837</u>	<u>148,038</u>	<u>10,526,061</u>	<u>83,388</u>	<u>10,776,324</u>

Note: The Group recognized rental revenue from investment property for 2020 and 2019 according to IFRS 16.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable	\$ 1,261,782	738,235	1,245,067
Less: loss allowance	<u>(396)</u>	<u>(26)</u>	<u>(26)</u>
Total	<u>\$ 1,261,386</u>	<u>738,209</u>	<u>1,245,041</u>
Receivables expected to be recovered more than 12 months	<u>\$ 144,295</u>	<u>-</u>	<u>-</u>
Contract assets-project investment not up to the right to receive payment	\$ 2,335,000	1,963,885	2,146,929
Contract assets-retention in construction	<u>929,391</u>	<u>871,218</u>	<u>822,289</u>
Total	<u>\$ 3,264,391</u>	<u>2,835,103</u>	<u>2,969,218</u>
Receivables expected to be recovered more than 12 months	<u>\$ 49,056</u>	<u>59,778</u>	<u>20,694</u>
Current contract liabilities—advance revenue from management fee	\$ 2,507	2,950	2,742
Current contract liabilities—the excess of payment received over construction revenue	327,900	500,780	718,348
Current contract liabilities—advance revenue from real estate	237,249	123,123	-
Current contract liabilities—advance sales receipts	13,190	6,027	-
Non-current contract liabilities—advance revenue from management fee	38,474	27,111	18,539
Non-current contract liabilities—advance sales receipts	<u>28,767</u>	<u>4,990</u>	<u>-</u>
Total	<u>\$ 648,087</u>	<u>664,981</u>	<u>739,629</u>
Payables that are expected to be settled more than 12 months	<u>\$ 379,553</u>	<u>447,280</u>	<u>537,300</u>

For details on notes and accounts receivable, contract assets and allowance for impairment, please refer to note 6(d), (u) and 9.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The major changes in contract assets and contract liabilities mainly stemmed from the difference between the respective timings of obligation performance, including transferring of merchandise or rendering of service, and the payment. The following table sets out the changes in transaction price estimates resulted from the contract assets of the construction segment that entered into mediation or litigation:

	December 31, 2021	December 31, 2020
The amount of mediation or litigation	\$ -	245,380
Less: expected loss (Note)	-	(42,746)
Total	\$ -	202,634

Note: Losses that may occur were assessed based on mediation or litigation in each case, deemed as changes in the estimated contract price, and were recognized as a deduction from operating revenue. Please refer to Note 9 for details.

(s) Remuneration to employees and directors

The Company's Articles of Incorporation stipulate that if the Company nets a profit for the year, then a minimum of 1% shall be allocated as employee compensation and a maximum of 3.5% shall be allocated as directors' remuneration. 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.

The Company estimated its remuneration to employees at \$9,394 thousand and \$11,563 thousand for 2021 and 2020, respectively; the Company also estimated its remuneration to directors at \$32,881 thousand and \$40,471 thousand for 2021 and 2020, respectively. The estimated amounts mentioned above were based on the profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. The estimations were recognized as operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in the following year. If the Board resolves to distribute stocks as employee compensation, the number of shares distributed as compensation is calculated based on the closing price of the common stock on the day before the Board's resolution.

The Company estimated its remuneration to employees at \$11,563 thousand and \$10,919 thousand for 2020 and 2019, and remuneration to directors at \$40,471 thousand and \$38,216 thousand for 2020 and 2019, respectively. The actual amount of remuneration distributed to employees for 2020 and 2019 were \$11,725 thousand and \$10,958 thousand, reflecting an underestimation of \$39 thousand for both years. The actual amount of remuneration distributed to directors for 2020 and 2019 were \$41,036 thousand and \$38,352 thousand, reflecting an underestimation of \$565 thousand and \$136 thousand for the respective years. The differences between the estimated amounts in the financial statements and the actual amounts distributed were accounted for as changes in accounting estimates, and were recognized as profit or loss for 2021 and 2020. Related information is available on the website of the Market Observation Post System.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Non-operating income and expenses

(i) Interest income

The details of the Group's interest income for 2021 and 2020 were as follows:

	For the Years Ended December 31	
	2021	2020
Interest income from bank deposits	\$ 6,722	4,061
Interest income from loans to other parties	127	19,791
Other interest income	\$ 1,083	4,595
Total interest income	\$ 7,932	28,447

(ii) Other income

The details of the Group's other income for 2021 and 2020 were as follows:

	For the Years Ended December 31	
	2021	2020
Dividend income	\$ 238,441	193,788
Remuneration to directors and supervisors	50	544
Income from fines and penalties (Note)	-	12,645
Other income	16,116	9,546
Total Other income	\$ 254,607	216,523

Note: The Group entered into a joint land development project with nonrelated parties. Since it was expected that the land transfer could not be completed by the agreed date specified in contract, both parties agreed to terminate the contract with compensation.

(iii) Other gains and losses

The details of the Group's other gains and losses for 2021 and 2020 were as follows:

	For the Years Ended December 31	
	2021	2020
Gains (loss) on disposal of property, plant, and equipment	\$ (1,260)	461
Losses on disposals of investment property	-	(9,360)
Gains (loss) on disposals of investments	10,838	(1,496)
Foreign exchange gains (losses)	281	(2,214)
Net gain (loss) on financial assets at fair value through profit or loss	590,136	767,795
Impairment loss	-	(7,312)
Loss on bond redemption	(28,772)	-
Others	5,903	(1,150)
Other gains and losses, net	\$ 577,126	746,724

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance costs

The finance costs of the Group for 2021 and 2020 were detailed as follows:

	For the Years Ended December 31	
	2021	2020
Interest expense	\$ 113,938	85,097
Interest expense on lease liabilities	1,020	381
Finance-related fee expense	33,826	35,009
Less: Capitalisation of interest	(10,318)	(8,205)
Finance costs, net	<u>\$ 138,466</u>	<u>112,282</u>
Capitalized rate	<u>1.85%~2.00%</u>	<u>1.85%~2.00%</u>

(u) Financial instruments

(i) Credit risk

1) Maximum amount of credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum credit risk exposure of the Group.

2) Concentration of credit risk

The customers of the construction engineering department of the Group are concentrated in the construction company and government agencies. In order to reduce credit risk, the Group continuously evaluates the financial status of the customers and requires the other party to provide guarantees or guarantees when necessary. It also regularly evaluates the possibility of the recovery of accounts receivable and makes appropriate allowances for bad debts. The related bad debt losses are still within the expectations of the Administration.

In respect of investment business, the Group conducts financial instrument transactions banks with good credit standing and financial institutions which are graded above investment level, so there shall be no material credit risks.

As the funeral segment and recreation segment of the Group have a large customer base, and most of the transactions are conducted in cash, the credit risk of accounts receivable are not significantly concentrated. To reduce credit risk, the Group continuously assesses the financial condition of its customers, normally without a request for collateral.

3) Receivables

For credit risk exposure of notes and trade receivables, please refer to Note 6(d).

Other financial assets at amortized cost includes other receivables and investments in domestic preferred shares. Except for fund loans and payments provided with requested guarantees according to individual credit risk assessment, the rest were financial assets with low credit risk. Therefore, the 12month expected credit loss amount was used to measure the loss allowance during the period (please refer to Note 4(g) for the explanation on how the Group determines that the credit risk to be low).

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The loss allowance provision for 2021 and 2020 were determined as follows:

	<u>Other receivable</u>
Balance at December 31, 2021	<u>\$ 384</u>
(Balance at January 1, 2021)	
Balance at January 1, 2020	\$ 16,534
Impairment loss recognized	384
Reversal of impairment loss	<u>(16,534)</u>
Balance at December 31, 2020	<u>\$ 384</u>

4) Credit risk of contract assets

The clients of the Group are mainly concentrated within public tender projects and private projects. As of December 31, 2021 and 2020, in respect of credit risk concentration, government construction contracts accounted for 39% and 27% of the total contract assets, respectively. However, since the counterparty was mainly a government agency, there was no significant credit risk. In order to reduce credit risk of private projects, the Group still regularly evaluates the recoverability of contract assets and makes loss allowances for bad debts, and the related bad debt losses are still within the expectations of management.

(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>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2021						
Nonderivative financial liabilities						
Floating rate instruments	\$ 5,651,985	5,762,856	3,663,965	498,572	1,126,175	474,144
Fixed rate instruments	981,576	982,948	982,948	-	-	-
Lease liability	72,172	75,043	20,649	17,521	36,873	-
Non-interest-bearing liabilities	<u>6,123,359</u>	<u>6,123,359</u>	<u>2,645,847</u>	<u>341,531</u>	<u>999,525</u>	<u>2,136,456</u>
	<u>\$ 12,829,092</u>	<u>12,944,206</u>	<u>7,313,409</u>	<u>857,624</u>	<u>2,162,573</u>	<u>2,610,600</u>
December 31, 2020						
Nonderivative financial liabilities						
Floating rate instruments	\$ 4,209,601	4,276,683	3,218,429	470,448	587,806	-
Fixed rate instruments	3,050,704	3,134,422	608,922	2,525,500	-	-
Lease liability	13,751	14,055	8,914	4,037	1,104	-
Non-interest-bearing liabilities	<u>5,953,101</u>	<u>5,953,101</u>	<u>2,565,374</u>	<u>284,080</u>	<u>1,105,089</u>	<u>1,998,558</u>
	<u>\$ 13,227,157</u>	<u>13,378,261</u>	<u>6,401,639</u>	<u>3,284,065</u>	<u>1,693,999</u>	<u>1,998,558</u>

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

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk: The Group has no significant exposure to currency risk.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group'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 Group management's assessment of the reasonably possible interest rate change.

If the interest rate increased (decreased) by 0.5%, with all other variable factors remained constant the Group's profit after tax would have decreased (increased) by \$17,561 thousand and \$9,275 thousand for the 2021 and 2020, respectively. This is mainly due to the Group's borrowing and deposits at floating rates.

(v) Other price risk

The sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the other comprehensive income as illustrated below:

	For the Years Ended December 31			
	2021		2020	
	Other comprehensive income, net of tax	Post-tax profit or loss	Other comprehensive income, net of tax	Post-tax profit or loss
Securities price at the reporting date				
0.5% increase	\$ 1,547	1,144	2,398	25,979
0.5% decrease	\$ (1,547)	(1,144)	(2,398)	(25,979)

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

The fair value of financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The following table sets out the carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy but excluding the optional information on financial instruments not measured at fair value with carrying amount reasonably close to their fair and lease liabilities.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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		December 31, 2021				
		Book Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Non-derivative financial assets at fair value through profit or loss, mandatorily measured at fair value	\$	<u>228,896</u>	<u>228,896</u>	<u>-</u>	<u>-</u>	<u>228,896</u>
Financial assets at fair value through other comprehensive income						
Domestic listed stocks	\$	2,910	2,910	-	-	2,910
Unquoted equity instruments at fair value through other comprehensive income		<u>306,459</u>	<u>-</u>	<u>22,500</u>	<u>283,959</u>	<u>306,459</u>
Subtotal	\$	<u>309,369</u>	<u>2,910</u>	<u>22,500</u>	<u>283,959</u>	<u>309,369</u>
		December 31, 2020				
		Book Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Non-derivative financial assets at fair value through profit or loss, mandatorily measured at fair value	\$	<u>5,195,794</u>	<u>5,195,794</u>	<u>-</u>	<u>-</u>	<u>5,195,794</u>
Financial assets at fair value through other comprehensive income						
Domestic listed stocks	\$	22,790	22,790	-	-	22,790
Unquoted equity instruments at fair value through other comprehensive income		<u>456,904</u>	<u>-</u>	<u>17,850</u>	<u>439,054</u>	<u>456,904</u>
Subtotal	\$	<u>479,694</u>	<u>22,790</u>	<u>17,850</u>	<u>439,054</u>	<u>479,694</u>

2) Fair value valuation technique of financial instruments not measured at fair value

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost

If recent transaction prices or market maker quotes are available, the fair value is based on such information. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fair value valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

Fair value measurement of financial instruments was based on quoted market prices if these prices were available in an active market. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The categories and nature of the fair value for the Group's financial instruments which have active market are as below:

- Publicly traded stock, bank draft and bond with standard terms, conditions and traded in active market. The fair value is based on quoted market prices.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date. (For example, over the counter yield curve and Reuters Primary CP Rate average prices.)

The categories and nature of the fair value for the Group's financial instruments which without an active market are as below:

- The main assumption behind this is that the estimated pre tax, pre depreciation, and pre amortization earnings of the investee company is added to the earnings multiplier derived from the comparable quoted price of the listed company. The estimate of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of market liquidity of the equity security.

4) Transfers between Level 1 and Level 2: None.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
January 1, 2021	\$ 439,054
Total gains and losses	
Recognized in other comprehensive income	(84,802)
Purchased	70,000
Disposal	(104,065)
Capital reduction	(36,228)
December 31, 2021	<u><u>\$ 283,959</u></u>
January 1, 2020	\$ 413,448
Total gains and losses	
Recognized in other comprehensive income	35,388
Purchased	75,218
Disposal	(85,000)
December 31, 2020	<u><u>\$ 439,054</u></u>

The aforementioned total gains or losses were classified as “unrealized gains or losses from financial assets at fair value through other comprehensive income”. The gains or losses attributable to the assets held as of December 31, 2021 and 2020 were as follows:

	2021	2020
Total gains and losses		
Recognized in other comprehensive income (classified as “unrealized gains or losses from financial assets at fair value through other comprehensive income”)	\$ 26,594	13,510

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Consolidated Company’s financial instruments that use Level 3 inputs to measure fair value include fair value through other comprehensive income—equity investments.

Most of the Group’s financial instruments that use Level 3 inputs have only one significant unobservable input. Only equity investment with no-active markets have multiple significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Quantified information on significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income -equity investments without an active market	Comparable listed companies approach	·Value multiple (0.59~5.29 and 0.4~8.4 as of December 31, 2021 and 2020) ·Market liquidity discount rate (31.05%~32.28% as of (December 31, 2021 and 2020)	·The higher the multiple, the higher the fair value ·The higher the market liquidity discount rate, the lower the fair value.
Financial assets at fair value through other comprehensive income equity investments without an active market	Asset Method	·Market liquidity discount rate (32.28% as of December 31, 2021 and 2020) ·Control discount (10.47%~22.24% and 6.45%~22.24% as of December 31, 2021 and 2020)	·The higher the market liquidity discount rate, the lower the fair value. ·The higher the control discount, the lower the fair value

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or parameters may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Input	Upward or downward	Other comprehensive income Favorable effect	Unfavorable effect
December 31, 2021				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount	1%	2,458	(2,453)
Equity investments without an active market	Control discount	1%	1,901	(1,866)
December 31, 2020				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount	1%	857	(846)
Equity investments without an active market	Control discount	1%	2,461	(2,417)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

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

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Group. For more disclosures about the quantitative effects of these risk exposures, please refer to respective notes in the report.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The financial management department, which reports regularly to the Board of Directors on its activities to develop and monitor the Group's risk management policies.

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

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, contract assets, and financial assets.

1) Accounts receivable and other receivables

The Group's policy requires client evaluation and credit verification prior to conducting transactions. The clients of Group are mainly concentrated in construction companies and government agencies. Since the transaction counterparty is a government agency, there is no risk of credit risk. For the remaining trading partners, in order to reduce credit risk, the Group continuously evaluates the financial status of customers. When necessary, the counterparty will be required to provide guarantees or guarantees, and the possibility of recovering the accounts receivable is regularly evaluated and an allowance for losses is appropriately set. The relevant losses are still within the expectations of the management.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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2) Contract assets

The Group's policy requires client evaluation procedures prior to conducting transactions. The projects undertaken by the Group are mainly concentrated within public tender projects and private projects. The Group continuously assesses the financial position of its customers and the recovery of contract assets and sets aside appropriate loss allowance for the loss, which is expected by the management.

3) Investment and securities payments receivable

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

4) Guarantees

The Group's policy is to provide financial guarantees only for subsidiaries with over 50% of their voting shares held by the Group. As of December 31, 2021 and 2020, the Group has not provided any endorsement or guarantee for any external party. For the endorsements and guarantees provided by the Group, please refer to Note 13 for details.

(iv) Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loan was an important source of liquidity for the Group. As of December 31, 2021 and 2020, the Group had unused bank facilities of \$2,185,082 thousand and \$2,920,825 thousand, respectively.

(v) Market risk

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

1) Currency risk: The Group's has no significant foreign currency risk.

2) Interest rate risk

The policy of the Group is to adopt the best interest rate portfolio for financial liabilities to be reviewed and controlled by the management to control risk exposure to interest rate fluctuations.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(w) Capital management

The Group sets its objectives for managing capital to sustain the future development of the business, to continue to provide returns to its shareholders and other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment and reduce the capital for redistribution to its shareholders. The Group also issues new shares or sell assets to settle any liabilities.

The Group uses the debt-to-equity ratio to manage capital. This ratio is calculated by dividing the net liabilities 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, other equity and other equity interest plus net debt.

Debt-to-equity ratios at December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 14,214,376	14,696,450
Less: Cash and cash equivalents	<u>(1,293,520)</u>	<u>(1,911,545)</u>
Net debt	12,920,856	12,784,905
Total equity	<u>10,270,581</u>	<u>9,533,970</u>
Adjusted capital	\$ 23,191,437	22,318,875
Debt to equity ratio	<u>55.71%</u>	<u>57.28%</u>

(x) Investing and financing activities not affecting current cash flow

The non-cash transactions for investing and financing activities of the Group for 2021 and 2020 were as follows:

- (i) For right-of-use assets under leases: 81,458 thousand.
- (ii) The Group called back corporate bonds in advance, please refer to Note 6(m) for details.
- (iii) Reconciliation of liabilities arising from financing activities were as follow:

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Changes in lease payments	Other	
Short-term borrowings	\$ 3,878,182	193,674	-	-	4,071,856
Short-term notes and bills payable	580,974	389,200	-	(Note1) 11,402	981,576
Long-term borrowings	331,419	1,248,710	-	-	1,580,129
Guarantee deposits received	1,994,081	127,381	-	-	2,121,462
Bonds payable	2,469,730	(2,523,458)	-	(Note2) 53,728	-
Lease liabilities	<u>13,751</u>	<u>(20,656)</u>	<u>(2,381)</u>	<u>(Note3) 81,458</u>	<u>72,172</u>
Total amount of liabilities arising from financing	\$ 9,268,137	<u>(585,149)</u>	<u>(2,381)</u>	<u>146,588</u>	<u>8,827,195</u>

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Acquisition through business combination	Changes in lease payments	Other	
Short-term notes and bills payable	\$ 1,600,410	2,277,772	-	-	-	3,878,182
Short-term notes payable	-	168,317	409,800	-	(Note1) 2,857	580,974
Long-term borrowings	389,770	(62,004)	3,653	-	-	331,419
Guarantee deposits received	4,662	1,345	1,988,074	-	-	1,994,081
Bonds payable	2,466,135	-	-	-	(Note2) 3,595	2,469,730
Lease liabilities	42,133	(30,720)	-	(1,063)	(Note4) 3,401	13,751
Total amount of liabilities arising from financing	<u>\$ 4,503,110</u>	<u>2,354,710</u>	<u>2,401,527</u>	<u>(1,063)</u>	<u>9,853</u>	<u>9,268,137</u>

Note 1: It is the discount and amortization of short-term bills payable.

Note 2: Discount amortization of corporate bonds of \$24,956 thousand and loss on bond redemption of \$28,772 thousand.

Note 3: This is an increase of \$81,458 thousand.

Note 4: Discount amortization of corporate bonds.

Note 5: This is an increase of \$3,401 thousand.

(7) Related-party transactions:

(a) Related-party name and relationship

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relations with the Consolidated Group</u>
Sky Honor International Co.,Ltd ((Sky Honor International)	Associate of the Group
Rei Ying Construction Co, Ltd. (Rei Ying Construction)	Associate of the Group
Rei Jhao Engineer Ltd. (Rei Jhao Engineer)	Associate of the Group
Fortune Base Development Co., Ltd. (Fortune Base Development)	Legal person of ultimate parent
Global Funeral Services Co., Ltd. (Global Funeral Services)	Legal person of ultimate parent
Heng Fu Development Co., Ltd. (Heng Fu Development)	Substantive related party
Heng Chuang Industrial Co., Ltd. (Heng Chuang Industrial)	Substantive related party
Han Yu Investment Co, Ltd. (Han Yu Investment)	Substantive related party
You Long Construction Development Co., Ltd. (You Long Construction)	Substantive related party
Ming Jhu Investment Co, Ltd. (Ming Jhu Investment)	Substantive related party
Sung Gang Corp. Limited (Sung Gang)	Substantive related party

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<u>Name of related party</u>	<u>Relations with the Consolidated Group</u>
Si Wang Investment Co, Ltd. (Si Wang Investment)	Substantive related party
Si Wang Investment Co, Ltd. (Si Wang Investment)	Substantive related party
Ontario Investment Co, Ltd. (Ontario Investment)	Substantive related party
Global Golf Sports Development Foundation (Global Foundation)	Same director with the Company

(b) Significant related-party transactions

(i) Sales

The amounts of the Group's significant sales to related parties were as follows:

	<u>Contract amount</u>		<u>Current price</u>	
			<u>For the Years Ended December 31</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>2021</u>	<u>2020</u>
Construction projects	\$ <u>-</u>	<u>122,762</u>	<u>-</u>	<u>32,376</u>

As a construction contractor, the Group complied with related parties' operation rules and requested additional management fees and payment based on the project budget and profit, and the prices were submitted to supervisors for approval after the price comparison and negotiation process. As of December 31, 2021 and 2020, the contract liabilities arising from the construction contracts were zero, respectively.

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	<u>Contract amount</u>		<u>Current price</u>	
			<u>For the Years Ended December 31</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>2021</u>	<u>2020</u>
Associates	\$ <u>27,917</u>	<u>30,637</u>	<u>10,012</u>	<u>9,719</u>

The purchase price of the Group to related parties is not significantly different from the other parts. The payment period is 30 to 60 days, which is not significantly different from the others.

(iii) Receivables from related parties

The receivables due from related parties were as follows:

<u>Account title</u>	<u>Category of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	Other related parties	\$ <u>281</u>	<u>-</u>

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account title</u>	<u>Category of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes payable	Other related parties—Heng Fu Development	\$ 1,714	1,577
Notes payable	Other related parties	-	145
Accounts payable	Other related parties	1,723	723
Other payable	Other related parties	7,555	100
		<u>\$ 10,992</u>	<u>2,545</u>

(v) Leases

<u>Category of related party</u>	<u>Use</u>	<u>Lease liabilities</u>		<u>Interest expense For the Years Ended December 31</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>2021</u>	<u>2020</u>
Other related parties—Sung Gang	Office building	\$ -	2,030	43	37
Other related parties—Heng Fu Development	Office building (Note)	68,086	3,591	824	178
		<u>\$ 68,086</u>	<u>5,621</u>	<u>867</u>	<u>215</u>

Note: On March 2016, the Group entered into lease contracts that five years with other related parties, Heng Fu Development Co., Ltd.. The original contract expired in March 2021, and the Group re-signed a five-year lease contract with quotes, resulting in an increase of \$76,935 thousand in right-of-use assets and lease liabilities in the current period.

(vi) Financial leasing

On October 2021, the Group leased out part of the interior decoration to associates, Sky Honor International. The lease period covered the entire economic life of the decoration, so it was classified as a financial leasing. It is reported that the present value of lease payments receivable to be received in the future is \$5,104 thousand, which is accounted for as other current assets of \$1,123 thousand and other non-current assets of \$3,981 thousand respectively.

(vii) The guarantees provided by other related parties Fortune Base Development for subsidiaries pursuant to the provisions of construction contracts have amounted to \$2,857,086 thousand as of December 31, 2021 and 2020.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Property transactions

1) Property, plant and equipment acquired

Category of related party	Transaction item	Date of transaction	Transaction amount	Date of the last transfer	Basis of pricing	Account title
For the Year Ended December 31, 2021						
Other related parties—Global Funeral Services	Land and buildings at Gongyuan, Jhongjheng Dist., Taipei City	May 12, 2021	\$ 921,121	April 28, 2011	Appraisal Report	Investment property
For the Year Ended December 31, 2020						
Other related parties—Si Wang Investment	Land at Jyuguang, Wanhua District, Taipei City	March 6, 2020	\$ 32,000	May 9, 2018	Fairness opinion by accountant	Inventories
Other related parties—Fortune Base Development	Land and buildings at Gongyuan, Jhongjheng Dist., Taipei City	March 6, 2020	\$ 86,275	September 8, 2011	Appraisal Report	Investment property
Other related parties—Ontario Investment	Land and buildings at Rongxing, Jhongshan Dist., Taipei City	May 14, 2020	\$ 208,366	July 27, 1995	Appraisal Report	Investment property
Other related parties—Global Funeral Services	Land and buildings in the park section of Taipei's Central Mountain District	December 12, 2020	\$ 921,121	April 28, 2011	Appraisal Report	Investment property

- (ix) In January 2021, the subsidiary and other related parties - Global Funeral Services and Fortune Base Development jointly signed the development project of the Dingjin Section of Kaohsiung's Sanmin District, and the subsidiary was responsible for business approval and new construction.
- (x) In November 2021, the Group signed a co-development contract for the Sunlight of Life Project with other related parties, Fortune Base Development and Sky Honor International, and the Group was responsible for the planning, design, construction and supervision. Due to the needs of business transactions, the Group loan \$50,000 thousand to other related party, Sky Honor International, and the amount used on December 31, 2021 was zero.
- (xi) The Group entrusted another related party - Fortune Base Development to develop and sell funeral facilities in the 2021, and the commission was calculated based on the sales amount. The commission expense in 2021 was \$7,045 thousand (under the item of sales promotion expenses). As of December 31, 2021, the unpaid amount was \$7,045 thousand (under other payables).
- (xii) Others

The transactions between the Group and other related parties are set out as follows:

Account	Related Parties	December 31, 2021	December 31, 2020
Other current assets	Other related parties	\$ 1,525	501
Other non-current financial assets	Other related parties	2,733	2,544

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

Compensation to key management personnel comprised:

	2021	2020
Short-term employee benefits	\$ 17,958	16,123
Post-employment benefits	263	269
	\$ 18,221	16,392

(8) Pledged assets:

The book value of the Consolidated Company's pledged assets is as follows:

Pledged assets	Subject of collateral	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss	Bank borrowings, commercial papers and ordinary corporate bonds issued	\$ 8,873	4,465,970
Investments accounted for using equity method	Bank borrowings and commercial papers	3,686,218	-
Inventories	Bank borrowings and commercial papers	1,764,692	1,642,321
Other current financial assets	Performance bonds and warranty bonds	726,129	606,736
Other current financial assets	Borrowing	224,613	134,853
Other current financial assets	Trust account	89,318	86,507
Other non-current financial assets	Reserve account for ordinary corporate bonds, time deposits, performance bond for Nantou funeral parlor	-	571,001
Investment property	Bank borrowings	1,566,433	511,331
Property, plant, and equipment	Bank borrowings and commercial papers	5,000,358	4,577,967
		\$ 13,066,634	12,596,686

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

(a) Significant unrecognized commitments

(i) The Group's unrecognized contractual commitments were as follows:

	December 31, 2021	December 31, 2020
Sale of perpetual use rights of columbarium niches	\$ 221,128	268,876
Columbarium improvement contracts	900	23,677
Columbarium construction contracts	95,655	12,445
Acquisition of property, plant and equipment	49,200	758,001
Sales of land and properties	1,603,486	1,233,187
Construction project contracts	32,598,365	28,405,982

As of December 31, 2021 and 2020, the refundable promissory notes for the aforementioned project contracts amounted to \$5,552,177 thousand and \$4,370,140 thousand, respectively.

(ii) As of December 31, 2021, details on the co-development contracts entered into with landowners are as follows:

Forms of co-development	Name of construction project
Urban Renewal Plan	Chengde Road Project and Xiyuan Road Project
Co-developments with landowners	The Sunlight of Life Project

(iii) As of December 31, 2021 and 2020, the guarantee provided by companies in the same industry for the Group's construction contracts amounted to \$4,253,923 thousand.

(iv) As of December 31, 2021 and 2020, the Group's bank guarantee in construction amounted to \$3,123,901 thousand and \$3,359,371 thousand, respectively.

(b) Joint operation

A joint agreement was entered into between the subsidiary and RexCapital Development Ltd. on August 18, 2020, in order to jointly develop the land located at Xinxing Rd., Banqiao Dist., New Taipei City. In a joint agreement, both parties are jointly bound to share and recognize 50 percent of the assets, liabilities, and profit (loss) relating to the agreement when the obligations therein were performed by both parties.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Contingent liability:

(i) As of December 31, 2021 and 2020, major disputes over contract performance are as follows:

Project Name	Accounts Receivable	Other Accounts Receivable	Contracts Assets	Disputes on Contract Performance	Anticipated Loss (Note)
Yong Yu Tian Xin					
December 31, 2021	\$ -	-	-	1.The subsidiary requested the owner to pay the balance of \$ the contract price, additional works, and promissory note for performance guarantee executed by the owner without authorization, amounting to \$24,454 thousand, \$4,688 thousand, and \$6,793 thousand, respectively.	-
December 31, 2020	\$ 24,454	6,793	10,986	2.The owner claimed the amounts of \$34,600 thousand as delay penalty (delayed for 173 days) and \$73,654 thousand for repair expense on construction defects, both of which added up to \$38,464 thousand. The owner requested to offset the total claim against the balance of construction price. 3.The subsidiary agreed to mediate in the court on December 6, 2021, and the owner agreed to pay the amount of \$17,000 thousand requested by the subsidiary.	\$ 32,000
Xiang Yu, Twin Towers					
December 31, 2021	\$ -	-	-	1.The subsidiary undertook a new construction project of Xiang Yu, Twin Towers, and provided the performance warranty and bank guarantee of \$7,479 thousand and \$11,219 thousand, respectively.	-
December 31, 2020	\$ -	11,219	7,123	2.The warranty for this project has expired, yet on November 6, 2017, the owner sent a letter of attestation, alleging that the subsidiary failed to fulfill its warranty against the damage of \$1,118 thousand for which the owner paid on behalf of the subsidiary. However, the owner claimed in the first defense that the expense for the repairs and maintenance amounted to \$14,287 thousand, without providing any corroborating information of the alleged expense. The owner claimed that the actual amount spent might be larger. In the absence of any authenticated evidence and authorization, the owner executed a promissory note issued for this project. 3.The subsidiary filed a lawsuit in January 2020 against the owner claiming for the return of the warranty bond and the promissory note that has been executed. The case is still in progress at the Taiwan Taipei District Court. 4.The subsidiary and the owner reached a settlement on November 18, 2021, wherein the owner paid the amount of \$8,000 thousand for the project, resulting in the subsidiary to revoke the lawsuit.	\$ 2,000

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Project Name</u>	<u>Accounts Receivable</u>	<u>Other Accounts Receivable</u>	<u>Contracts Assets</u>	<u>Disputes on Contract Performance</u>	<u>Anticipated Loss (Note)</u>
Construction Project of Congregate Housing, Fu Cheng Productivity					
December 31, 2021	<u>\$ 28,445</u>	<u>31,000</u>	<u>-</u>	1.The owner executed a promissory note issued by the subsidiary as the performance bond without authorization, owing to which the subsidiary claimed against the owner for the return of the promissory note amounting to \$31,000 thousand. The subsidiary also requested for the balance of the contract price amounting to \$29,868 thousand.	<u>\$ 20,000</u>
December 31, 2020	<u>\$ -</u>	<u>31,000</u>	<u>28,445</u>	2.It has been decided by the Chinese Arbitration Association that the owner shall pay the amount of \$65,821 thousand, plus an annual interest rate of 5%, starting from July 21, 2018. The subsidiary has, based on the arbitration award, filed a petition for compulsory enforcement with the Taiwan Taichung District Court. 3.The owner filed a petition with the Taiwan Taipei District Court to stay retain the foregoing compulsory enforcement and was granted by the court. On April 6, 2021, the subsidiary then filed an interlocutory appeal against said ruling, in which it was dismissed by the Supreme Court. 4.Meanwhile, the owner filed an application to set aside the aforementioned arbitration award to the Taipei District Court, who ruled that the owner shall pay the amount of \$52,332 thousand. With regard to the reduced amount of \$8,535 thousand, the Taiwan High Court abrogated the ruling of the District Court, which was in favor of the subsidiary.However, the owner, who has been requested to pay the amount of \$9,834 thousand in the second instance, appealed to the Supreme Court. The case is still in progress. 5.On the other hand, the owner claimed the amount of \$73,654 thousand against the subsidiary for the damage incurred by terminating of contract. On June 10,2021, the Taiwan Taichung District Court ruled that the subsidiary should pay the owner the amount of \$52,528 thousand, wherein the subsidiary filed an appeal against the above ruling on June 25 of the same year. The case is still in progress. 6.With regard to the abovementioned claims, the lawyer in charge of the case advised that the owner's claim was groundless because both parties had mutually agreed to terminate the agreement before the completion of the construction project, and the appraisal report stated that if the project was re contracted, there would be new projects due to the continuation of the project amounting to \$14,554 thousand, which the price adjustment of 5,966 thousand, totaling \$20,520 thousand, and the amount of damages claimed by the owner was only for the subcontracted engineering contract. Both were based on estimates and there was no sufficient evidence of actual expenses to prove that the owner's damage should be fully borne by the company. The lawyer in charge of the case believed that there were still many disputes to be clarified in the original judgment, and some opinions were different from the practical opinions of the court. Nonetheless, the final result is still subject to the court's ruling.	<u>\$ -</u>

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Project Name	Accounts Receivable	Other Accounts Receivable	Contracts Assets	Disputes on Contract Performance	Anticipated Loss (Note)
East Asia Water					
December 31, 2021	<u>\$ 107,043</u>	<u>-</u>	<u>-</u>	1. On August 28, 2021, the subsidiary filed a civil lawsuit with the Taipei District Court, requesting the owner to pay the balance of construction price of \$120,520 thousand and to return the certificate of deposit of \$49,000 thousand provided as performance bond.	<u>\$ 20,500</u>
December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>88,743</u>	2. On the other hand, on December 28, 2020, the owner filed a civil lawsuit with the Taipei District Court requesting for the delay penalty of \$196,000 thousand. The owner also alleged that the subsidiary shall pay the amount of \$41,968 thousand after deducting the total balance of the contract and the amount of the aforementioned certificate of deposit. The subsidiary applied for appraisal on the disputed project on April 15, 2021. The case is still in progress. 3. The lawyer in charge of the case believed that the requests of the company were all legal claims, and it is difficult to clarify the disputes without the identification of professional authorities. The subsidiary applied for appraisal in accordance with the law, and the court still needed to approve the appraisal matters. Nonetheless, the final result is still subject to the court ruling.	<u>\$ 20,500</u>
Construction Project of Jing Qin Building, National Taipei University of Technology					
December 31, 2021	<u>\$ 23,627</u>	<u>-</u>	<u>-</u>	1. The performance dispute in this case includes an extension of 611.5 days, and a delay penalty of \$127,000 thousand. The subsidiary has applied for mediation with the Public Construction Commission, Executive Yuan and the case is currently in process.	<u>\$ 12,700</u>
December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>39,523</u>		<u>\$ 12,700</u>
The Public Housing Construction Project on Minglun Public Housing, Datong District, Taipei City					
December 31, 2021	<u>\$ -</u>	<u>-</u>	<u>-</u>	1. The subsidiary requested the owner to extend the completion deadline for 71 days, and the license acquisition deadline for 1 day, as well as to return the liquidation damage of \$13,251 thousand due to the failure to dispatch the quality control personnel within the term, overdue submission of the drawings and designs for review, and additional works of \$19,970 thousand.	<u>\$ -</u>
December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>-</u>	2. The subsidiary has applied for mediation with the Complaints Review Committee for Taipei City Government Procurement. On August 13, 2021, the mediation had been settled, wherein the owner should pay the amount of \$4,626 thousand for breach of contract, a construction fee of \$6,711 thousand for additional works, and extend the completion deadline for 9 days, as well as the license acquisition deadline for 1 day.	<u>\$ -</u>

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Project Name	Accounts Receivable	Other Accounts Receivable	Contracts Assets	Disputes on Contract Performance	Anticipated Loss (Note)
Bao Hong Jing Mei Building Construction Project, Bao Hong Da Bai Congregate Housing					
December 31, 2021	\$ -	-	-	1.The subsidiary, pursuant to the arbitration clause of the contract, filed a motion to compel the arbitration, requesting for the balance of the construction contract of \$39,418 thousand. On the March 29, 2021, the Chinese Arbitration Association decided that the owner shall pay the amount of \$29,168 thousand, plus an annual interest at a rate of 5%, starting from August 30, 2019.	\$ -
December 31, 2020	\$ 7,034	-	29,169		\$ 3,600
Shalun Smart Green Energy Science City Zone C					
December 31, 2021	\$ -	-	-	1.The subsidiary requested the owner to return the penalty of \$49,908 thousand incurred from the delayed completion of the sub project, for which the subsidiary filed a claim for mediation. On February 26, 2021, the mediation was settled, wherein the Mediation Committee requested that the owner shall, pursuant to the project contract, return the amount of \$49,829 thousand to the subsidiary.	\$ -
December 31, 2020	\$ 41,946	-	41,391		\$ -

The amounts of significant performance disputes with the owners were summarized as follows:

	December 31, 2021	December 31, 2020
Accounts receivable	\$ 159,115	73,434
Other receivables	\$ 31,000	49,012
Contracts assets	\$ -	245,380
Expected loss	\$ 53,200	70,800

Note: For the construction agreements entered into by the subsidiary and the owner(s), the owner's commitment consideration might vary due to the aforementioned disputes over the contract performance. The subsidiary has estimated the variations of the amount of consideration and has adjusted the said amount in the income statement during the period that the consideration has varied.

- (ii) As of December 31, 2021, the cases wherein the subsidiary requested the owner to increase the number of projects or additional works are as follows:

Project name	Request for additional items
Basketball Gymnasium, Taipei Municipal He Ping Elementary School New Construction Project	1.The subsidiary requested the payment of \$64,865 thousand for the additional items and other payment in dispute. 2.The case is currently in progress with the Taiwan Taipei District Court, who has entrusted the Taiwan Professional Civil Engineers Association to conduct an expert assessment, and the result thereof is still in pending.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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- (iii) As of December 31, 2021, the payment dispute between the subsidiary and the contractors included the total amount of lawsuits filed by the subsidiary against the contractors of \$12,397 thousand, and the total amount of lawsuits filed by the contractors against the subsidiary of \$162,792 thousand. The aforementioned cases are still in progress. According to the evaluation of the pro hac vice counsel, the results are unpredictable since the cases involved numerous projects, with complicated miscellaneous claims, as follows:

Project name	Request for additional items
Linkou Public Housing and the 2017 Universiade Athletes' Village Turnkey Project-2nd.	1.The contractor requested the subsidiary to pay the unsettled construction fee and the additional construction fee of \$44,440 thousand. 2.The case is currently in progress at the Taiwan Taichung District Court; and the contractor 's claim is currently being appraised by the Taiwan Construction Research Institute.
The Public Housing Construction Project on Minglun Public Housing, Datong District, Taipei City	1.The contractor requested the subsidiary to pay the construction fee, the penalty for the damages and the performance bond of \$78,445 thousand for the executed works. 2.The case is currently in progress at the Taiwan Taichung District Court. On October 28,2021, the contractor 's claim (including the completed projects, quantities and payables) was currently being appraised by the Taiwan Professional Electrical Engineers Association R.O.C.

(10) Losses due to major disasters:None

(11) Significant subsequent events:None

(12) Other:

The summary of employee benefits, depreciation, and amortization, by function, was as follows:

By function	For the Years Ended December 31					
	2021			2020		
	Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
By item						
Employee benefits						
Salary	585,130	200,230	785,360	538,485	191,652	730,137
Labor and health insurance	43,425	17,064	60,489	36,988	13,168	50,156
Pension expense	22,710	6,463	29,173	22,303	6,235	28,538
Others employee benefits expense	22,298	21,043	43,341	20,703	22,313	43,016
Depreciation	27,181	28,915	56,096	38,793	15,957	54,750
Amortization	6,953	3,257	10,210	5,672	2,543	8,215

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the as of December 31, 2021:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Sky Honor International Co., Ltd.	-	Yes	50,000	50,000	-	2.0%	1 (Note 3)	50,104	For use of working capital	-	Cashier check	50,000	1,016,499 (Note 1)	4,065,996 (Note 1)
0	The Company	Rei Ju Construction Co., Ltd.	Other Receivables-Other	Yes	700,000	700,000	350,000	2.0%	2 (Note 3)	-	For use of working capital	-	Cashier check	550,000	1,016,499 (Note 1)	4,065,996 (Note 1)
1	Rei Ju Construction Co., Ltd.	Sheng Ji Interior Decoration Co., Ltd.	-	Yes	30,000	30,000	-	2.50%	2 (Note 3)	-	For use of working capital	-	None	-	154,439 (Note 2)	617,756 (Note 2)
1	Rei Ju Construction Co., Ltd.	Rei Cheng Construction Co., Ltd.	-	Yes	30,000	30,000	-	2.50%	2 (Note 3)	-	For use of working capital	-	None	-	154,439 (Note 2)	617,756 (Note 2)
1	Rei Ju Construction Co., Ltd.	ReBio Green Innovation Co., Ltd.	-	Yes	30,000	30,000	-	2.50%	2 (Note 3)	-	For use of working capital	-	None	-	154,439 (Note 2)	617,756 (Note 2)
1	Rei Ju Construction Co., Ltd.	ReiYu Green Energy Technology Co., Ltd.	-	Yes	30,000	30,000	-	2.50%	2 (Note 3)	-	For use of working capital	-	None	-	154,439 (Note 2)	617,756 (Note 2)
1	Rei Ju Construction Co., Ltd.	Ryan Development Corp.	-	Yes	136,000	-	-	2%~2.25%	2 (Note 3)	-	For use of working capital	-	None	-	154,439 (Note 2)	617,756 (Note 2)
2	Long Hui Development Co., Ltd.	Gold Coast Golf Co., Ltd.	-	Yes	45,000	-	-	2%	2 (Note 3)	-	For use of short-term financing	-	None	-	62,196 (Note 2)	248,784 (Note 2)
3	Rei Cheng Construction Co., Ltd.	Xun Lei Enterprise Ltd.	Other Receivables-Other	No	5,500	5,500	4,913	4%	1 (Note 3)	5,812	For use of working capital	-	Pressure feeder equipment	5,500	5,971 (Note 2)	23,884 (Note 2)
4	Everwin Investment Co., Ltd.	The Company	-	Yes	200,000	180,000	-	1.98%	2 (Note 3)	-	For use of short-term financing	-	None	-	295,514 (Note 2)	1,182,056 (Note 2)
4	Everwin Investment Co., Ltd.	Rei Ju Construction Co., Ltd.	Other Receivables-Other	Yes	200,000	200,000	200,000	2%	2 (Note 3)	-	For use of short-term financing	-	Cashier check	200,000	295,514 (Note 2)	1,182,056 (Note 2)

Note 1: The total amount of loans provided by the Company to other parties and to a single party shall not exceed 40% and 10% of the Company's net worth recognized in its latest financial statements, respectively.

Note 2: The total amount of loans provided by this company to other parties and to a single party shall not exceed 40% and 10% of this company's net worth recognized in its latest financial statements, respectively.

Note 3: Financing purposes

1.Trading counterparty

2.Entities with short-term financing needs

Note 4: The aforementioned transactions have been eliminated when compiling the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

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	Everwin Investment Co., Ltd.	2 (Note 6)	6,098,995 (Note 1)	1,100,000	1,100,000	580,000	-	10.82 %	12,197,990 (Note 1)	Y	N	N

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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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	Ryan Development Corp.	2 (Note 6)	6,098,995 (Note 1)	725,000	725,000	-	-	7.13 %	12,197,990 (Note 1)	Y	N	N
0	The Company	Gold Coast Golf Co., Ltd.	2 (Note 6)	6,098,995 (Note 1)	448,000	448,000	-	-	4.41 %	12,197,990 (Note 1)	Y	N	N
0	The Company	Rei Ju Construction Co., Ltd.	2 (Note 6)	6,098,995 (Note 1)	5,600,000	5,600,000	1,863,217	-	55.09 %	12,197,990 (Note 1)	Y	N	N
1	Everwin Investment Co, Ltd.	The Company	3 (Note 6)	5,910,273 (Note 2)	2,600,000	-	-	-	- %	5,910,273 (Note 2)	N	Y	N
2	Rei Ju Construction Co., Ltd.	Rei Cheng Construction Co., Ltd.	2 (Note 6)	4,633,160 (Note 3)	494,630	33,330	25,000	-	2.16 %	7,721,934 (Note 3)	Y	N	N
2	Rei Ju Construction Co., Ltd.	ReiYu Green Energy Technology Co., Ltd.	2 (Note 6)	4,633,160 (Note 3)	1,948	-	-	-	- %	7,721,934 (Note 3)	Y	N	N
2	Rei Ju Construction Co., Ltd.	Ryan Development Corp.	2 (Note 6)	4,633,160 (Note 3)	725,000	725,000	560,536	-	46.94 %	7,721,934 (Note 3)	Y	N	N
3	ReiYu Green Energy Technology Co., Ltd.	Rei Ju Construction Co., Ltd.	3 (Note 6)	2,000,000 (Note 4)	24,557	24,557	-	-	117.81 %	3,000,000 (Note 4)	N	Y	N
4	Rei Cheng Construction Co., Ltd.	Rei Ju Construction Co., Ltd.	3 (Note 6)	5,950,000 (Note 5)	4,425,050	3,053,000	-	-	5,113.30 %	8,925,000 (Note 5)	N	Y	N

Note 1: The total amount of guarantees and endorsements provided by the Company for external parties shall not exceed 120% of its net worth for the current period , and the guarantees and endorsements for a single entity shall not exceed 60% of its net worth for the period.

Note 2: Limit on guarantees and endorsements provided by Everwin Investment Co, Ltd.: The total amount provided for a single subsidiary, whose ordinary shares of more than 90% are directly or indirectly held by the Company, shall not exceed 40% of the Company's current net value. As for other entities, the total amount provided for any single one of them shall not exceed 25% of the Company's current net value. For entity holding 100% ordinary share of Everwin Investment Co, Ltd. or companies of which Everwin Investment Co, Ltd. holds 100% ordinary shares, the limit on guarantees and endorsements provided for any single one of them shall not exceed 200% of the current net value of the Company.

Note 3: The limit on guarantees and endorsements of Rei Ju Construction Co., Ltd.: The total amount provided for external construction projects and a single construction project shall not exceed 15 times and 7.5 times of the total value of the Company's paid in capital, respectively. The total amount of guarantees and endorsements shall not exceed 5 times of the net value of the Company, and the guarantees and endorsements for a single entity shall not exceed 3 times of the current net value of the Company.

Note 4: The limit on guarantees and endorsements provided by ReiYu Green Energy Technology Co., Ltd.: The total amount guarantees for external construction projects and for the construction projects of a single entity shall not exceed 150 times and 100 times of the total value of the paid in capital, respectively.

Note 5: The limit on guarantees and endorsements provided by Rei Cheng Construction Co., Ltd.: The total amount guarantees for external construction projects and for the construction projects of a single entity shall not exceed 150 times and 100 times of the total value of the paid in capital, respectively.

Note 6: Seven categories of relationship with the endorser/guarantor:

1. Trading counterparty.
2. The Company directly or indirectly holds more than 50% voting right.
3. 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 7: The aforementioned transactions have been eliminated when compiling the consolidated financial statements.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Fund: Taishin 1699 Money Market Fund	—	Current financial assets at fair value through profit or loss	2,925	40,013	- %	40,013	1.01 %	
"	Jih Sun Money Market Fund	—	"	1,334	20,002	- %	20,002	3.91 %	
Long Bao Co., Ltd.	Fund: Taishin 1699 Money Market Fund	—	"	1,462	20,002	- %	20,002	- %	
Long Fu Real Estate Development Co., Ltd.	Taishin 1699 Money Market Fund	—	"	2,925	40,005	- %	40,005	- %	
San Jih Cih An Yuan Ltd.	Taishin 1699 Money Market Fund	—	"	731	10,001	- %	10,001	- %	
Dong Hua International of Golf Recreation Co., Ltd.	Taishin 1699 Money Market Fund	—	"	3,656	50,000	- %	50,000	- %	
"	Jih Sun Money Market Fund	—	"	2,669	40,000	- %	40,000	- %	
Rei Ju Construction Co., Ltd.	Yuanta Asia Pacific (ex Japan) Investment Grade Government Bond Index Fund	—	"	500	4,327	- %	4,327	- %	Pledge
"	Invesco Quality Fixed Maturity Emerging Market Bonds 2023	—	"	16	4,546	- %	4,546	- %	"
The Company	Stock: M Radio Broadcasting CO., Ltd.	—	Non current financial assets at FVOCI	1,009	4,292	12.32 %	4,292	12.32 %	Note 1
"	Widedoctor (International) Enterprise Co., Ltd.	—	"	538	2,998	19.92 %	2,998	19.92 %	"
"	J Metrics Technology Co., Ltd.	—	"	600	4,749	2.15 %	4,749	2.15 %	"
"	Chia Ya Investment Co., Ltd.	—	"	1,200	70,024	8.00 %	70,024	8.00 %	"
"	New Image Medical Co., Ltd.	—	"	1,283	25,213	4.75 %	25,213	4.75 %	"
"	Chang Hong Energy Technology Co., Ltd.	—	"	3,185	19,435	3.24 %	19,435	3.24 %	"
"	You Long Construction Development Co., Ltd.	Substantive related party	"	4,487	127,559	17.26 %	127,559	17.26 %	"
"	Grand Green Energy Co., Ltd.	—	"	560	8,400	1.18 %	8,400	1.18 %	Note 3
"	Preferred Share of Bank of Kaohsiung, Ltd.	—	"	120	2,910	0.30 %	2,910	0.30 %	
Everwin Investment Co, Ltd.	J Metrics Technology Co., Ltd	—	"	600	4,749	2.15 %	4,749	2.15 %	Note 1
"	Linkou Recreation Co., Ltd.	—	"	-	1,127	- %	1,127	- %	"
"	Grand Green Energy Co., Ltd.	—	"	940	14,100	2.27 %	14,100	- %	Note 3

(Continued)

LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Rei Ju Construction Co., Ltd.	Long Bon International Co., Ltd.	Ultimate parent company	Non current financial assets at FVOCI	36,609	647,972	9.27 %	647,972	9.27 %	Note 2
"	Chia Ya Investment Co., Ltd.	—	"	300	17,506	2.00 %	17,506	2.00 %	Note 1
"	New Image Medical Co., Ltd.	—	"	321	6,307	1.19 %	6,307	1.19 %	"
"	Preferrec share of Tan Shi Construction Co., Ltd.	—	Non-current financial assets at amortized cost	3,000	79,980	00.00 %	79,980	00.00 %	
Gold Coast Golf Co., Ltd.	Preferred Share of Horseshoe International Enterprise Co., Ltd.	—	"	42	624	0.01 %	624	0.01 %	
Everwin Investment Co., Ltd.	Subordinated Debt of Bank of Panshin	—	"	-	160,000	- %	160,000	24.61 %	
Long Bao Co., Ltd.	Subordinated Debt of Bank of Panshin	—	"	-	70,014	- %	70,014	- %	
Long Hui Development Co., Ltd.	Subordinated Debt of Bank of Panshin	—	"	-	40,008	- %	40,008	- %	

Note 1: The stock is not publicly traded and quoted and was therefore presented according to the appraisal report as a reference.

Note 2: Pursuant to the clauses of the loan agreement, document related to the exercise of pledge of 35,680 thousand shares have been signed to the financial institution.

Note 3: The emerging market stock is presented in its market value on December 31, 2021.

- (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	Ta Chen Stainless Pipe Co., Ltd.	Current financial assets at fair value through profit or loss	Non related party	-	15,722	492,113	1,795	188,342 (Note)	17,517	973,307	680,455	292,852	-	-
Everwin Investment Co., Ltd.	Ta Chen Stainless Pipe Co., Ltd.	Current financial assets at fair value through profit or loss	Non related party	-	9,541	298,621	-	100,830 (Note)	9,541	568,953	399,451	169,502	-	-

Note: The purchase amounts for this period includes the valuation adjustments relating to financial assets recognized at fair value.

- (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	Land and building	May 12, 2021	921,121	921,121	Global Funeral Services Co., Ltd.	Related party	Sin Cai International Development Co., Ltd.	Non related party	April 28, 2011	-	Appraisal report	For future operational use	-

- (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\$300 million or 20% of the capital stock: None

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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		
The Company	Rei Ju Construction Co., Ltd.	Subsidiary	351,553	Note 1	-		-	-
Everwin Investment Co., Ltd.	Rei Ju Construction Co., Ltd.	Associate	200,318	Note 1	-		-	-

Note 1: Accounts Receivable Turnover in Days does not apply, because it is mainly other receivables.

Note 2: The aforementioned transactions have been eliminated when compiling the consolidated financial statements.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Rei Ju Construction Co., Ltd.	Ryan Development Corp.	1	Other receivables	121,505	-	0.51%
2	Everwin Investment Co., Ltd.	Dong Hua International of Golf Recreation Co., Ltd.	1	Rental revenue	42,869	Monthly billing claim	0.53%

Note 1: Numbers are filled in as follows:

1. "0" represents the parent company
2. Subsidiaries are numbered from "1"

Note 2: Categories of relationship with counterparty are as below:

1. Parent to subsidiary;
2. Subsidiary to parent;

Note 3: The aforementioned transactions have been eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Everwin Investment Co., Ltd.	Taiwan	Investment	1,213,791	1,213,791	244,025	100.00 %	2,986,589	100.00 %	297,795	297,795	
"	Long Bao Co., Ltd.	Taiwan	Funeral Service	604,250	604,250	60,000	100.00 %	630,296	100.00 %	27,485	27,485	
"	Long Jee Holding(s) Pte Ltd	Singapore	Oversea property investment and import and export trading	103,692	103,692	17,979	96.89 %	9,949	96.89 %	408	395	
"	Rei Ju Construction Co., Ltd.	Taiwan	Architecture and civil engineering	1,105,992	1,105,992	73,928	90.10 %	840,139	90.10 %	230,914	208,568	
"	Long Fu Real Estate Development Co., Ltd.	Taiwan	Funeral Service	700,000	700,000	70,000	100.00 %	698,816	100.00 %	3,981	3,981	
"	Long De International Development Co., Ltd.	Taiwan	Investment	1,000	1,000	100	100.00 %	954	100.00 %	(21)	(21)	
"	Sky Honor International Co., Ltd.	Taiwan	Funeral Service	13,500	-	1,350	45.00 %	10,677	45.00 %	(6,723)	(2,823)	Associate
"	Taisun Enterprise Co., Ltd.	Taiwan	Processing and retailing of food, beverages	2,671,109	-	129,063	25.81 %	3,497,702	25.81 %	591,827	-	Associate Partial pledge
Everwin Investment Co., Ltd.	Long Hui Development Co., Ltd.	Taiwan	Investment	560,000	560,000	56,000	100.00 %	621,955	100.00 %	18,486	Exempt from disclosure	
"	Dong Hua International of Golf Recreation Co., Ltd. (originally known as "Bao Hui Development Co., Ltd.")	Taiwan	Exercise facility and amenity	30,000	30,000	3,000	100.00 %	28,037	100.00 %	(2,092)	"	
"	Taisun Enterprise Co., Ltd.	Taiwan	Processing and retailing of food, beverage	590,403	-	31,434	6.29 %	851,861	6.29 %	591,827	"	Associate Partial pledge

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
Long Fu Real Estate Development Co., Ltd.	San Jih Cih An Yuan Ltd.	Taiwan	Funeral Service	19	19	-	100.00 %	4,742	100.00 %	4,783	Exempt from disclosure	
Long Hui Development Co., Ltd.	Gold Coast Golf Co., Ltd. (originally known as "North Bay Recreation Co., Ltd.")	Taiwan	Exercise facility and amenity	514,510	444,510	8,947	99.41 %	578,336	99.41 %	15,625	"	
Rei Ju Construction Co., Ltd.	Rei Cheng Construction Co., Ltd.	Taiwan	Architecture and civil engineering	40,500	40,500	5,950	100.00 %	70,207	100.00 %	3,466	"	
"	ReiYu Green Energy Technology Co., Ltd.	Taiwan	Architecture and civil engineering	18,563	68,563	2,000	100.00 %	20,844	100.00 %	(2,657)	"	
"	Ryan Development Corp.	Taiwan	Property investment and development	427,722	307,722	37,000	100.00 %	321,110	100.00 %	(11,752)	"	
"	Rei Jhao Engineer Ltd.	Taiwan	Architecture and civil engineering	990	990	99	19.80 %	1,008	19.80 %	(276)	"	Associate
"	Rei Ying Construction Co., Ltd.	Taiwan	Property investment and development	3,900	3,900	390	39.00 %	1,753	39.00 %	(2,595)	"	"
ReiYu Green Energy Technology Co., Ltd.	Sheng Ji Interior Decoration Co., Ltd.	Taiwan	Interior Decoration	20,000	20,000	2,000	100.00 %	21,319	100.00 %	(4,274)	"	
"	ReBio Green Innovation Co., Ltd.	Taiwan	Environmental Engineering	2,000	2,000	200	100.00 %	227	100.00 %	(29)	"	

Note: The aforementioned transactions have been eliminated when compiling the consolidated financial statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Highest Percentage of ownership	Accumulated remittance of earnings in current period
					Outflow	Inflow								
Xiamen Rei Ju Construction Engineer Co.	Construction consultancy	35,984 USD1,300	(Note 1)	32,109 USD1,160	-	-	32,109 USD1,160	(4,956)	89.23%	89.23%	(4,423) (Note 2)	577	-	-

Note 1: Direct investment in Mainland China.

Note 2: The recognition of investment gains and losses was based on the financial statements audited by the parent's certified public accountants.

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Rei Ju Construction Co., Ltd.	32,109 (USD 1,160)	32,109 (USD 1,160)	926,632 (Note 1)

Note 1: The limit is calculated as follows: net asset value of subsidiary×60%=NTD1,544,387 thousand×60%=NTD926,632 thousand.

(iii) Significant transactions: None

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Global Funeral Services Co., Ltd.		69,899,080	17.70 %
Fortune Base Development Co., Ltd.		58,364,520	14.78 %
Ontario Investment Co, Ltd.		37,933,600	9.61 %
Rei Ju Construction Co, Ltd.		36,608,592	9.27 %
Yi Fong Investment Co, Ltd.		34,542,100	8.75 %
You Long Construction Development Co., Ltd.		20,080,840	5.08 %

Note: The information on major shareholders in this table is calculated by CHIP on the last business day at the end of each quarter, and the shareholders hold more than 5% of the common shares and preferred shares that have been delivered (including treasury shares) without physical registration. As for the share capital recorded in the company's financial report and the actual number of shares delivered by the company, there may be differences or differences due to different calculation bases.

(14) Segment information:

(a) General information

There are four reportable segments: construction, investment, funeral, and recreation. The construction segment engages in construction projects; the investment segment engages in investment in financial instruments; the funeral department engages in funeral services and others; recreation segment provides sports facilities.

The Group's reported segments consist of strategic business units which provide different products and services. Since each strategic business unit requires different technology and marketing strategies, it must be administered separately. Most of the business units were acquired, and the original management teams are still operating.

(b) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non cash items. The reportable amount is similar to that of the report used by the chief operating decision maker.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's segment financial information is as follows:

For the Year Ended December 31, 2021							
	Construction		Investment segment	Funeral services segment	Recreation segment	Reconciliation	
	Construction segment	Property development segment				and elimination	Total
Revenue:							
Revenue from external customers	\$ 10,998,448	74,163	-	165,859	187,154	-	11,425,624
Intersegment revenues	69,570	58,652	-	3,689	-	(131,911)	-
Total revenues	<u>\$ 11,068,018</u>	<u>132,815</u>	<u>-</u>	<u>169,548</u>	<u>187,154</u>	<u>(131,911)</u>	<u>11,425,624</u>
Interest revenue	6,118	1,944	1,696	363	40	(2,229)	7,932
Finance costs	38,340	67,743	26,272	-	8,340	(2,229)	138,466
Depreciation and amortization	34,036	16,027	1,769	3,365	11,110	-	66,307
Share of profit (loss) of associates and joint ventures accounted for using equity method	-	-	535,380	-	-	(539,270)	(3,890)
Profit or loss of reportable segment	<u>\$ 279,191</u>	<u>(12,147)</u>	<u>1,269,563</u>	<u>45,980</u>	<u>13,727</u>	<u>(572,804)</u>	<u>1,023,510</u>

For the Year Ended December 31, 2020							
	Construction		Investment segment	Funeral services segment	Recreation segment	Reconciliation	
	Construction segment	Property development segment				and elimination	Total
Revenue:							
Revenue from external customers	\$ 10,526,061	18,837	-	148,038	83,388	-	10,776,324
Intersegment revenues	75,592	25,490	-	-	-	(101,082)	-
Total revenues	<u>\$ 10,601,653</u>	<u>44,327</u>	<u>-</u>	<u>148,038</u>	<u>83,388</u>	<u>(101,082)</u>	<u>10,776,324</u>
Interest revenue	5,176	32,411	473	151	16	(9,780)	28,447
Finance costs	22,477	80,507	14,792	-	4,286	(9,780)	112,282
Depreciation and amortization	33,033	8,342	-	15,197	6,393	-	62,965
Share of profit (loss) of associates and joint ventures accounted for using equity method	-	-	456,891	-	-	(458,112)	(1,221)
Profit or loss of reportable segment	<u>\$ 380,361</u>	<u>(10,696)</u>	<u>1,309,738</u>	<u>15,935</u>	<u>(27,134)</u>	<u>(436,684)</u>	<u>1,231,520</u>

Note: Reconciliation and elimination are mainly adjustments to relevant consolidated write offs in the preparation of the consolidated financial statements.

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LONG BON INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
Taiwan	\$ 11,415,281	10,766,949
China	<u>10,343</u>	<u>9,375</u>
Total	<u><u>\$ 11,425,624</u></u>	<u><u>10,776,324</u></u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Non-current assets:		
Taiwan	\$ 11,944,465	6,921,711
China	<u>652</u>	<u>1,020</u>
Total	<u><u>\$ 11,945,117</u></u>	<u><u>6,922,731</u></u>

Non-current assets include investments accounted for using equity method, property, plant and equipment, right-of-use assets, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Major customers:

	<u>2021</u>	<u>2020</u>
Client A of construction segment	\$ 2,164,746	479,282
Client B of construction segment	1,532,790	829,402
Client C of construction segment	621,203	1,266,771
Client D of construction segment	<u>346,057</u>	<u>1,098,139</u>
	<u><u>\$ 4,664,796</u></u>	<u><u>3,673,594</u></u>