

# Kung Sing Engineering Corporation

## 2022 Annual Report

Notice to readers

*This English-version annual report is a translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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## I. Letter to Shareholders

### 1.1 2022 business results

#### 1.1.1 2022 annual business plan implementation results

Unit: NT\$ thousand

Operating income	Operating profit	Net income
4,625,514	30,089	10,762

#### 1.1.2 2022 annual budget implementation situation

Unit: NT\$ thousand

	The actual amount	Budget	Amount ratio
Operating income	4,625,514	Not announced	Not applicable
Gross profit	219,925		
Operating expenses	(189,836)		
Operating profit	30,089		
Non-operating income and expenses	27,723		
Net profit (loss) before tax	57,812		
Net profit (loss) after tax	10,762		

#### 1.1.3 Financial income and expenditure and profitability analysis

Unit: NT\$ thousand

Analysis Project		2022
Financial ability	Interest income	31,957
	Interest expenses	10,298
Profitability	Return on equity (%)	0.20%
	Pre-tax profit to paid-in capital ratio(%)	1.17%
	Net profit rate(%)	0.23%
	After-tax earnings per share (yuan)	0.02

#### 1.1.4 Research and development status

The Company has a long and robust history in construction, has contracted various major public works including roads, bridges, tunnels, and the rapid transit system, among which for the construction of the MRT Danshui Line, the Company

cooperated with V.T. Company from Austria and adopted the “Incremental Launching Method for Prestressed Beams”, cooperated with the DSI technology from Germany on projects 16 and 17 by using the “Cast in Place Cantilever Method”, making the construction to be completed on time, used the “Advanced Shoring Method for Bridges” on project C305, used the Continuing Tunnel Boring Steel Segment Method on project CP263 of the MART Banchiao Line; as for constructions including C359, C360, C356Z(signed), C318 (signed), and C514A (signed), etc, the construction project also included various the domestic advanced methods, such as the incremental launching method, advanced shoring method, and fullstaging method, etc.

## **1.2 Business Plan for 2023**

### 1.2.1 Operational principles

- a. Sustainable development strategy, the establishment of core values.
- b. The implementation of the budget system and strict control of the construction cost.
- c. Staff morale and the establishment of corporate culture.
- d. Talents nurturing and the enterprise physical constitution.
- e. Standardization and the enhancement of work efficiency.
- f. emphasis on safety and health, environmental protection, reduce workplace hazards.

### 1.2.2 Expected sales and the basis

The company's business strategy continues to be based on contracting public works, expanding private enterprises and overseas construction as a supplement. However, in recent years, the economic climate has fluctuated, affecting the risk of the construction industry undertaking projects. Therefore, we should continue to innovate, improve our professional capabilities with various advanced technical methods, strengthen cooperation with foreign strategic alliances, and establish lasting competitiveness, in order to show the company's overall strength and sustained momentum, and indeed condense employees' centripetal force and shareholders. A sense of identity, and the ability of the investment public to present the sustainable operation of the work letter engineering.

Based on the current total amount of projects under construction, the flow of funds and the comprehensive consideration of the above assessment, public works such as roads, rail transportation, bridges, tunnels and ports in 2022 will be the main tracking targets. After searching the Public Works Committee of the Executive Yuan, CNPC, Taiwan, General Administration of Highways,

Ministry of Communications, Suhua Highway Improvement Works Office, General Administration of Highways, Ministry of Communications, Taiwan Port Co., Ltd. Keelung Port Branch, New Taipei City Government New Construction Office, Ministry of Communications Railway Bureau, Nuclear Thermal Power Generation Engineering Office of Taiwan Electric Power Co., Ltd., New Engineering Office of Taipei City Government Engineering Bureau, Temporary Engineering Office of Western Binhai Highway South District, General Administration of Highways, Ministry of Communications, Highway Bureau, Ministry of Communications, Ministry of National Defense, The websites of Chunghwa Post Co., Ltd., the Construction Administration of the Ministry of the Interior and other agencies inquire about the projects that may be tendered in 2023, and carefully evaluate and select the contractors that are more suitable for our company according to the nature of the projects. The proposed business contract amount of our company in 2023 is NT\$8,000 million million.

The 2023 operational plan is as shown in the following:

- a. The business management in the future is still focused on integrated construction works except major public works, we will gradually expand our business services into architecture, environmental protection, etc.
- b. Currently, the economy is still in a slump, thus the Company shall attach more importance on steady, dependable operation to ensure the expected profitability of the construction in progress and maintenance of full cash flow as well as to manage to obtain more diversified funding channels and low cost of capital for flexible use.
- c. To strengthen the implementation of project budget system and the execution of construction plan, strictly control the cost of construction as well as to continue to promote the educational training policy, actively cultivate professional personnel, and enhance the Company's overall competence and persistent momentum.
- d. To focus on sustainable management, hold on the coherent persistence, carefully select the construction project, strive for stable revenue and profit, and endlessly seek innovative ideas, have a full grasp of the up-to-date technologies and skills, strengthen our professional competence, expand a wide range of enterprise value, present the company's overall strength and momentum, further to build the loyalty in employees and identity in shareholders.

### 1.2.3 Important production and marketing policies

- a. To strengthen research and development, enhance the professional and

- technical standards, and enhance the competitiveness.
- b.To strengthen the labor system, cultivate the basic mechanic strength, and have a full grasp of the construction progress.
  - c.To carry out the construction management, foster a third-party team, and achieve the goals of operational plan.
  - d.To establish the ERP, sophisticate the information management process, and improve the overall operating efficiency.
  - e.To build loyalty in employees and identity in shareholders and enhance the excellent corporate image.

### **1.3 Development Strategy, The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

The Budget and Accounting Office of the Executive Yuan predicted that the GDP would be 4.15% at the beginning of 2022. On November 29, 2022, it announced that the GDP in 2022 would be 3.06%, which was revised down by 0.7%. , the international political and economic situation will also change, bringing great economic impact. Today's global economy is weakening and is seriously threatened, such as the US-China trade conflict, the COVID-19 mutant strain epidemic, the ongoing war between Russia and Ukraine, the semiconductor supply chain is tight, inflation is rising, the US Federal Reserve is raising interest rates, and food and fuel Impacts such as the sharp fluctuations in prices of base metals and other factors have not only changed the global supply chain and industrial division of labor, but also affected the way of life and work. We are currently facing a new economic cycle. How to deal with this new cycle of work is worth thinking about. And regard it as the most important work.

In 2023, the government will continue to promote forward-looking infrastructure in order to activate the growth momentum of economic innovation, and promote the "six core strategic industries" on the basis of "five plus two" industrial innovation, so as to build Taiwan into an advanced semiconductor process, Asian high-end manufacturing, green Energy development and high-tech R&D centers, and build a complete supply chain, making Taiwan a key player in the global economy. And actively strive to join the regional economic integration, negotiate and sign bilateral economic and trade agreements; continue to promote the "New Southbound Policy", explore potential markets, and guide industrial layout to expand global business opportunities.

A total of NT\$597.2 billion is budgeted for government public construction plans in 2023, an increase of NT\$137.6 billion compared to the same basic budget of



NT\$459.6 billion in 2021. Among them, the three sub-categories of "transportation and construction", "environmental resources" and "urban and regional development" that can be contracted by the construction industry have a total of NT\$254.2 billion, and the most important category of transportation construction has NT\$162.7 billion Yuan. In 2023, the company will still focus on public projects such as roads, rail transportation, bridges, tunnels and ports.

In recent years, the government has actively promoted the use of "the most favorable bids" or "the most favorable bids for turnkey projects" in domestic public engineering bids. The first is to avoid vicious competition in the domestic industry, which in turn affects the quality and execution efficiency of the project, and enhances the competitiveness of the industry; Design consultants and construction of turnkey projects are handled in the most advantageous way. In addition to cultivating manufacturers' ability to integrate design, construction, financial management, etc., they can also introduce innovative materials, technologies and construction methods through turnkey to promote industrial R&D and technology improvement.

In order to comply with this trend, the company is still actively seeking to form an excellent team with relevant industry manufacturers and consultants to jointly cooperate and participate in public engineering bidding.

Sincerely yours,

Chairman of the board  
Chen, Huang-ming

General manager  
Chiang, Chi-ching

Accounting Supervisor  
Wen, Shu-Chiao

## II. Company Profile

### 2.1 Date of Incorporation:

Date of Incorporation: February 01, 1941

Address and telephone number of the head office, branch office and factory:

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### 2.2 Company History

The company came to Taiwan from the mainland and is a long-established construction factory in Taiwan. Due to its solid and solid foundation, it not only overcomes various difficulties, but also grows stronger.

Year	Milestones
1941	Founded by Erh-kung Lu in Shanghai in 1941, joined the national defense construction timely, during the time in the mainland China, contracted a number of major construction projects related to national defense throughout the regions including Yunnan, Kunming, Chongqing, Guangzhou, Guilin, Shanghai, and other major cities.
1947	Registered in February, the paid-in capital was NT\$16 million.
1954	Introduced the prestressed concrete, the result of the load testing of the finished product was highly praised.
1982	1. The former president, Mr. Erh-kung Lu passed away, and Ms. Shu-yi Lin took the position. 2. Mr. Chun-jun Pan et al joined the team and were vigorously in the development "Kung Sing".
1983	Because the president, Ms. Shu-yi Lin resided abroad for a long time, the Board decided to make changes in the managerial level by resolution to appoint Mr. Chun-jun Pan as the president to be in charge of the management of "Kung Sing", for a new era of Kung Sing since had begun.
1987	The society changed with each passing day, in order to follow up to the progress so that the Company could match up the development of a series of important national constructions, operating equipments must be increased and updated; therefore, the Board passed the resolution to implement a cash capital increase up to NT\$ 84 millions.
1989	As a result of the chairman's foresights and new operating equipments, the construction of various projects were highly acclaimed, thus received the

	“Excellent Engineering Award issued by the Taiwan provincial government.”
1991	The government began to promote the Six-year Plan, and the Company was able to contract a number of public works in terms of its capabilities; therefore, implemented another cash capital increase up to NT\$98 millions in order to promote the operational plan.
1993	<ol style="list-style-type: none"> <li>1.Expanded operations due to operational requirements, implemented another cash capital increase up to NT\$60.2 millions in September, purchased a new office building and increased the cash flow schedule.</li> <li>2.Approved by the Securities and Futures Commission, the Company officially became a public company.</li> <li>3. Again received the “Excellent Engineering Award issued by the Taiwan provincial government.”</li> </ol>
1994	<ol style="list-style-type: none"> <li>1.Received the “Excellent Engineering Award issued by the Taiwan Provincial Government” in terms of Tunnels 171K+200~171K+980 on Tai-Chiu Line.</li> <li>2.“Gold Dragon Award for the Priviledged Outstanding Construction Company” for the project CT206 of the Taipei MRT Danshui Line, the project CP263 of the Taipei MRT Banciao Line namely the tunnel project from Chiang-tzh-tsui to Sin-pu stations, and the construction of three-dimensional cross on the mouth of Chung Cheng Rd. in Kaohsiung.</li> </ol>
1995	Received the “Excellent Vendor and Excellent Construction Award issued by the Taiwan Provincial Government” in terms of projects of tunnel broadening and the roadbed, road improvement projects from 182K+500~190K+800 on Tai-Chiu Line.
1996	<ol style="list-style-type: none"> <li>1.The 16, 17 contracted merged project of the broadening from Xizhi to Wugu section on Chung-Shan Freeway was completed and open to traffic, and received a award issued from the Taiwan Area National Freeway Bureau.</li> <li>2. Passed the “ISO 9002” International Quality Standard System.</li> <li>3.Received the “Excellent Construction Award issued by the Taiwan Provincial Government” in terms of the tunnel project of the administration center of the Taroko National Park to the Mystery Valley.</li> <li>4.Won the “Excellent Contruction Company Award issed by the Construciton and Planning Agency, Ministry of the Interior”.</li> </ol>
1997	<ol style="list-style-type: none"> <li>1.Implemented a cash capital increase up to NT\$480 milions due to operational needs.</li> <li>2.Completed the new constructions of Chung-He Tunnel Northern on</li> </ol>

	<p>National Highway No.3 and Hsin-Au Tunnel on Tai-Chiu Line.</p> <p>3.Won the “Excellent Construction Award issued by the Taiwan Provincial Government” in terms of the Ankeng Bridge on the Hsichih and Chung-He section on National Highway No. 3.</p>
1998	<p>Due to the operational need, the Company must have one more supervisor; therefore, the original directors and supervisors resigned all together in June and a re-election took place, new directors and supervisors were: Directors: Chun-jun Pan, Ying-ling Pan, Huang-ming Chen, and Chao-chi Liu of Yi Hsin Investment Co. Ltd.; supervisors: Kuei-mei Li, Chao-ming Chen, and Yi-nan Liu.</p>
1999	<p>1.Passed the “ISO 14001” International Quality Standard System.</p> <p>2.Obtained the permission of stock trading publicly open on OTC market from GreTai Securities Market.</p>
2000	<p>1.In order to fulfill the promise to Securities &amp; Futures Institute of adding one more spot for external director and supervisor each once the stocks were permitted to be traded publicly open on OTC market, the original director, Ying-ling Pan and supervisors, Chao-ming Chen and Kuei-mei Li resigned, and a re-election took place in June, and the new directors and supervisors were: Directors: Chun-jun Pan, Huang-ming Chen, Chao-chi Liu, and Chung-he Huang of Yi Hsin Investment Co. Ltd.; supervisors: Yi-nan Liu, Hsing-hua Wen of Hung Yi Investment Co. Ltd.</p> <p>2. Based on the overall planning, through the resolution made by the Board, Mr. Huang-ming Chen was appointed as the new president and general manager, and Mr. Chun-jun Pan was invited to be the chairman of Kung Sing Group.</p> <p>3.The original spokesperson, Huang-ming Chen was promoted to the person in charge of the company, and the post of spokesperson was filled by the director of sales department, Tai-ju Liu, and the post of deputy spokesperson was filled by Shun-yi Chuang from the finance department.</p> <p>4. Selected as the “excellent construction industry manufacturer of the year 2000” by the Taipei City government.</p>
2001	<p>1. the Board had re-elected new directors and supervisors in June, and the new directors and supervisors were: Directors: Chun-jun Pan, Huang-ming Chen, Chao-chi Liu, and Ling-hua Wang, of Hsin Yi Investment Co. Ltd.; supervisors: Yi-nan Liu and Jo-ching Fan of Hung Yi Investment Co. Ltd.</p> <p>2.The director, Mr. Huang-ming Chen was appointed to the position of president and general manager in accordance with the Board’s resolution.</p>

	<p>3. The Tai-Si Kukeng line on the eastward and westward expressways was voted and rewarded as the best construction site.</p>
2002	<p>1.The new construction project of Taipei long-distance communication building, Chunghwa Telecom won the excellent engineering award issued by the ministry of transportation and communication.</p> <p>2.Reviewed and selected as the “excellent construction company of the year 2002” by the Taipei City government.</p> <p>3.The assistant manager of the administration department, Chi-ching Chiang was appointed to the position of deputy spokesperson.</p>
2003	<p>1.Broke through all difficulties to contract the civil mechanical and electrical integration project, the CB410 section on Taipei MRT Nei-Hu Line with the cost of 32.8 billion dollars making it the largest amount for a single case ever throughout the world.</p> <p>2.The assistant manager of the sales department was promoted to the supervisor of manager’s office.</p>
2004	<p>1.The 20th term of the office for directors and supervisors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter,the Board had re-elected new directors and supervisors in May, and the new directors and supervisors were: Directors: Chun-jun Pan of Chuan Fu Investment Co. Ltd., Ling-hua Wang of Hsin Yi Investment Co. Ltd. ; supervisors: Yi-nan Liu of Hung Yi Investment Co. Ltd.</p> <p>2.The representative, Huang-ming Chen was appointed to positions of president and general manager by the Board’s resolution.</p> <p>3.Implemented a cash capital increase up to NT\$250 millions in August in order to comply with operational requirements and needs in financial improvement.</p> <p>4.Joint acquisition of land in Yu-chen section, Nankang district, Taipei City of Taiwan Provincial Agribusiness Company with Mr. Wu-hsiung Chen.</p> <p>5.Acquisition of the project, “Road Improvement Engineering on Hsin Pi Doulou Access Road” organized by the Yun-lin County government.</p> <p>6.Elected as the “Excellent environmental large-scale engineering of the year 2004” by the Department of Environmental Protection, Taipei City Government.</p> <p>7.Mr. Chi-ching Chiang was appointed to the position of spokesperson, and the manager of administrative department, Ming-fa Kuo was as the deputy spokesperson.</p> <p>8.Successfully completed the C326 National Highway No. 3 project and</p>

	<p>received a medals from the Ministry of Transportation and Communications, National Expressway Engineering Bureau.</p> <p>9.The Taipei MRT Xinzhuang Line CK570F project won the second place in the safety and health in construction site regional contest.</p>
2005	<p>1.Obtain “C605 Shuan-tung Nantou Section, National Highway No. 6” organized by the Ministry of Transportation and Communications, Taiwan Area National Expressway Engineering Bureau.</p> <p>2. The 21st supervisor, Yi-nan Liu was dismissed in January, 2006, and in accordance with the provisions of company law and the Corporate charter, a re-election for one supervisor took place during the shareholders’ meeting in May, and the new supervisor was Mr. Yun-chieh Fan.</p> <p>3. Implementation of cash capital increase to NT\$295,955,760 by the Board’s resolution.</p>
2006	<p>1.Received a ward for outstanding performance in hiring and recruiting indigenous people from the Council of Indigenous Peoples, Executive Yuan.</p> <p>2.Implementation of capital increase to NT\$106,581,540 in July in accordance with the Board’s resolution.</p> <p>3.The spokesperson, Chi-ching Chiang was promoted to the deputy general manager.</p> <p>4.Acquisition of the project, “National Highway No.1 Convergence Road, Hsinchu Science Park New Interchange Engineering” organized by Taiwan Area National Freeway Bureau.</p>
2007	<p>1. Elected as the “Excellent Employer of the year 2007” by the Department of Labor.</p> <p>2.The 21st term of the office for directors and supervisors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter,the Board had re-elected new directors and supervisors in May, and the new directors and supervisors were: Directors: Chun-jun Pan, Chuan Fu Investment Co. Ltd., Yi Hsin Investment Co. Ltd., and Ling-hua Wang; supervisors: Hung Yi Investment Co. Ltd.and Yun-chieh Fan.</p> <p>3.Implemented a NT\$500 millions cash capital increase in August in order to comply with operational requirements and needs in financial improvements.</p>
2008	<p>1.Acquisition of two projects, “Xinsheng Overpass Modification and Chung-Shan Bridge 2 Demolition and the North End of Xinsheng</p>

	<p>Overpass Approach” organized by the New Constructive Office.</p> <p>2. Due to the overall planning and approved by the Board, the spokesperson and deputy general manager, Chi-ching Chiang was promoted to the general manager, and the original general manager, Huang-ming Chen continued his post of the president.</p> <p>3. Chi-liang Wang was made the spokesperson, and the supervisor of auditing office, Tai-ru Liu was made the deputy spokesperson.</p> <p>4. Obtain “Taiwan’s Taoyuan International Airport’s Outside Linking MRT System Construction Project”</p> <p>5. The “Integrated Construction Project of the New Interchange on National Highway No. 1 Hsinchu Science Park C564A and C564C” Won the 9th Gold Metal Award for Public Engineering and the 3rd Golden Safety Award for Public Engineering.</p>
2009	<p>1. Obtain “Tai 3 Line 418K+600 Likang Bridge Modification Engineering” organized by the Third District Maintenance Construction Office, Directorate General of Highways.</p> <p>2. Obtain “KCL211 Linlo and Chutien Section Railway Elevated of Engineering” organized by the Railway Reconstruction Bureau.</p>
2010	<p>1. Assisted and completed the “Disaster Prevention Observation of reinforcing samples of bridges and columes establishment” and received a testimonial from the Northern Region Inspection Office of the Council of Labor Affairs, Executive Yuan.</p> <p>2. Won the third place in the 2010 Taipei Labor Safety Knowledge Contest.</p> <p>3. The 22nd term of the office for directors and supervisors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter, the Board had re-elected new directors and supervisors in June, and the new directors and supervisors were: Directors: Chun-jun Pan, Chuan Fu Investment Co. Ltd., Yi Hsin Investment Co. Ltd., and Ling-hua Wang; supervisors: Hung Yi Investment Co. Ltd. and Yun-chieh Fan.</p> <p>4. The manager of the department of public works, Tai-ru Liu was made the spokesperson, and the manager of the administrative department, Ming-fa Kuo was made the deputy spokesperson.</p> <p>5. The Taipei MRT Neihu Line CB410 Section Project won the 38th Asia-Pacific Federation Golden Award for Civil Engineering.</p> <p>6. The “KCL211 Linlo and Chutien Section Railway Elevated of Engineering” was elected as the excellent environmental protective construction engineering.</p>

2011	<ol style="list-style-type: none"> <li>1.The project of the reconstruction of Tai San Line Likang Bridge was awarded the medal of “Solid Foundation of Bridge” by the Ministry of the Transportation and Communications.</li> <li>2.Received a testimonial from the Thailand Trad and Economic Office, Taipei of the professional management and thorough care for Thai labors.</li> <li>3.Eligible for the Executive Yuan Aboriginal employment Aboriginal Committee awarded the 2011 medal of blue-chip manufacturers.</li> <li>4.Awarded with the 8th National Yushan Prize for Outstanding Business Leader by the National Competiveness of Enterprises Association.</li> <li>5.Awarded with the 8th National Yushan Prize for Outstanding Contribution by the National Competiveness of Enterprises Association.</li> <li>6.Awarded with the 13th National Architecture Golden Award for Public Engineering – Civil Engineering – Bridge Engineering by the National Competiveness of Enterprises Association and the National Architecture Golden Award Activity Committee.</li> <li>7.Obtain “Reconstruction Project B3 of the Tai-Chiu Line Suhua Highway Kufeng Tunnel” organized by the Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications.</li> <li>8.Obtain “New Construction Project B2 of Tai-Chiu Line Suhua Highway Guanyin Tunnel organized by the Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications.</li> <li>9.Won the 11th Golden Quality Award for “Particularly good” Prize organized by the Public Construction Commission, Executive Yuan.</li> <li>10.Established a Remuneration Committee in accordance with the Board’s resolution.</li> </ol>
2012	<ol style="list-style-type: none"> <li>1. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>2.The project CE02 of Access MRT System to Taiwan Taoyuan International Airport won the first place in the 2011 Comprehensive Appraisal organized by the Bureau of High Speed Rail.</li> <li>3. The new directors of the 24th Board of Directors and supervisors are: Directors: Ch'uan Fu Investment Co. Ltd.,Chun Fa Investment Co. Ltd., Hsin Yi Investment Co. Ltd., and Independent Directors:Chen, chin-yueh, Independent Directors:Chang,liang-ming.</li> </ol>



	<p>Supervisors :Wang,Ling-hua ; supervisors: Hung Yi Investment Co. Ltd.</p> <p>4.Obtain purchase project of the cylinder coal bunker of the “New Expansion Plan of Linkou Power Plant”.</p> <p>5.Switch to Listed Companies on December 18, 2012.</p>
2013	<ol style="list-style-type: none"> <li>1. The project CE02 of Access MRT System to Taiwan Taoyuan International Airport won the Environmental Impact Assessment Project Award Excellence Award in the 2012.</li> <li>2. Obtain hiring the handicapped Certification Mark by the Taipei City Government award.</li> <li>3. With the Ministry of Communications to handle the year 2013 "to maintain the transportation, health and safety, environmental protection," demonstration, by the Ministry of Transportation Highway Administration certificates of appreciation.</li> <li>4. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>5. Taiwan Guanyin nine lines Suhua Highway Tunnel Engineering won new Ministry of Transportation Highway Administration issued 2013 annual results good construction Check medal.</li> </ol>
2014	<ol style="list-style-type: none"> <li>1. Han Ban Wang Zhiqiang, director of the construction of the building was awarded the outstanding management personnel.</li> <li>2. Concrete Engineering won the 2014 prize non-building category - excellent work.</li> </ol>
2015	<ol style="list-style-type: none"> <li>1.The 24nd term of the office for directors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter,the Board had re-elected new directors in June, The new directors of the 25th Board of Directors are : Directors: Ch'uan Fu Investment Co. Ltd., Ju hsiang Investment Co. Ltd., and Independent Directors:Chen, chin- yueh, Independent Directors:Chang,liang-ming.Independent Directors:Tu,yi- yang.</li> <li>2. Establishment of an Audit Committee.</li> <li>3. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>4. Eligible ROC National Competitiveness Enterprise Development Association awarded the first prize in the 17th National Gold Medal State Building 17th National Building Gold Medal.</li> <li>5. Obtain corporate governance index, corporate social responsibility Benchmarking Enterprise.</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. Received a testimonial from the Thailand Trad and Economic Office,</li> </ol>

	<p>Taipei for taking care of Thai labors.</p> <ol style="list-style-type: none"> <li>2. Linkou power plant construction standards won the China Society of Engineers awarded the fine engineering award!</li> <li>3. Obtain engineering project Railway Electrification for the chaofang section of SOUTH-LINK line, civil electrical &amp; mechanical from CHAOZHOU to LINBIAN, LOT 811.</li> <li>4. Won the "2016 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.</li> <li>5. Concrete Engineering won the 2016 category - excellent work.</li> </ol>
2017	<ol style="list-style-type: none"> <li>1. Obtain C031 agent Tainan Nanping to Wanrong two-track civil and tram line project.</li> <li>2. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>3. National Gold Medal State Building 19th National Building Gold Medal.</li> <li>4. Won the "2017 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.</li> <li>5. Won the 17th Public Works Gold Award for a masterpiece of water conservancy engineering.</li> <li>6. Obtain Taichung Port 106 pier new construction project.</li> </ol>
2018	<ol style="list-style-type: none"> <li>1. In June 29, the Shareholders has re-elected new directors, The new directors of the 26th Board of Directors are : : Directors: Ch'uan Fu Investment Co. Ltd., Representative: Chen ,huang-ming and Chiang,chi-ching, Chia ho Investment Co. Ltd. Representative: Tseng, mei-ling, Ju hsiang Investment Co. Ltd., Representative :Chang, liang-ming. Independent Directors: Chen, chin- yueh, Independent Directors: Wang, chih- lung . Independent Directors: Tu,yi- yang.</li> <li>2. Won the 2018 TCSA Taiwan Enterprise Sustainability Report Award - Silver Award.</li> <li>3. Awarded the Excellent Project Supervision Award in 2018 by the Highway Administration of the Ministry of Communications.</li> <li>4. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>5. Obtain Construction of Danjiang Bridge and Connecting Road Network 5K+000~7K+035 project.</li> </ol>
2019	<ol style="list-style-type: none"> <li>1. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>2. Won the 2019 Happy Enterprise Award from 1111 Human Bank.</li> </ol>

	<ol style="list-style-type: none"> <li>3. Won the "2019 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.</li> <li>4. According to the resolution of the board of directors, the capital increase of NT \$ 1,000,000,000 was completed in November, and the paid-in capital was changed to NT \$ 4,475,274,130.</li> </ol>
2020	<ol style="list-style-type: none"> <li>1. Suhuagai Guanyin and Gufeng Tunnel new construction project on 1/6 was opened to traffic.</li> <li>2. The company participated in the public tender and obtained the Taipei Port South Wharf S07, S08 Revetment and Rear Line Embankment Construction Project.</li> <li>3. The new construction of Taichung Port No. 106 was completed and won the "Excellent Award" of the 2020 Public Works Excellent Project Award issued by the Ministry of Transportation.</li> <li>4. Won the "2020 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Silver Award.</li> <li>5. The new construction of Taichung Port No. 106 won the "Public Engineering Gold Award, Water Conservancy Engineering Category".</li> <li>6. The company participated in public bidding to obtain "Taichung Combined Cycle Power Plant Project -Circulating Water Pump House and Tunnel Project"</li> <li>7. The company participated in the public bidding and won the procurement case for "Taiwan Line 9 212K + 800~214K + 685 Papaya River Bridge Reconstruction Project".</li> </ol>
2021	<ol style="list-style-type: none"> <li>1. In July 22, the Shareholders has re-elected new directors , The new directors of the 27th Board of Directors are : : Directors: Ch'uan Fu Investment Co. Ltd., Representative: Chen ,huang-ming and Chiang,chi-ching, Ju hsiang Investment Co. Ltd., Representative : Li, shu-hsü, Ju hsiang Investment Co. Ltd., Representative : P'an,kuan-ju. Independent Directors: Chen, chin- yueh, Independent Directors: Ts'ai,lien-shêng . Independent Directors: Tu,yi- yang.</li> <li>2. Won the 22nd Golden Road Award awarded by the Ministry of Transport-Third Place for Outstanding Projects (New Construction of Guanyin Tunnel of Suhua Highway, Taiwan 9th Line)</li> <li>3. Won the Excellent Tunnel Engineering Award issued by the Republic of China Tunnel Association (New Construction of the Gufeng Tunnel on the Suhua Highway on the 9th Line)</li> <li>4. Won the 2021 Public Works Excellent Engineering Award issued by the Ministry of Transport-Excellent (C811Z Chaozhou Fangliao Section</li> </ol>

	<p>Civil Engineering and General Electrical and Mechanical Engineering)</p> <p>5. Won the 21st Public Engineering Gold Award-Excellent Work in the Track Category (C811Z Chaozhou Fangliao Section Civil Engineering and General Electrical and Mechanical Engineering) issued by the Public Works Committee of the Executive Yuan</p> <p>6. Won the constituent stock of the Corporate Governance 100 Index</p> <p>7. Won the TCSA Taiwan Enterprise Sustainability Award-Sustainability Report Bronze Award</p> <p>8. Won the "Excellence Award for the Use of Aboriginal Organizations (Institutions)" by the Commission of Indigenous Peoples</p>
2022	<p>1. The emergency dredging project of the existing water bay of Datan Power Plant was completed on 3/18, and the revetment project of S07 and S08 of Taipei Port South Wharf and the land reclamation project of the back line was completed on 8/30.</p> <p>2. Obtained the procurement case of "Continuation Desilting Project of Existing Inlet Bay of Tai Tam Power Plant".</p> <p>3. Obtained the "Taipei Gangnan Wharf C Filling Area Public Facilities and Permanent Revetment and S04~S05 Wharf Project Procurement.</p> <p>4. Received the "Permanent Warrior" award from the Railway Bureau of the Ministry of Communications.</p> <p>5. Won the 22st Public Engineering Gold Award - Excellent in Water Conservancy Engineering (Taipei Port South Wharf S07, S08 Revetment and Rear Line Embankment Land Construction Project)</p> <p>6. Won the "2022 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Silver Award.</p> <p>7. Won the Silver Award of Happy Enterprise issued by 1111 Job Bank in 2022.</p> <p>8. Won the Engineering Excellence Award issued by the Chinese Society of Engineers (C811Z Chaozhou Fangliao section civil engineering and general mechanical and electrical engineering)</p> <p>9. Awarded as one of the Top 100 Carbon Competitive Companies by Business Weekly.</p>

(1) In the most recent year and as of the date of publication of the annual report, the company's mergers and acquisitions, reinvestment of related companies, and reorganizations: None.

(2) A large number of transfers or replacements of shares of directors, supervisors, or major shareholders holding more than 10% of the shares, changes in management rights, major changes in business methods or business content, and other important

matters that affect shareholders' rights and interests and their impact on the company

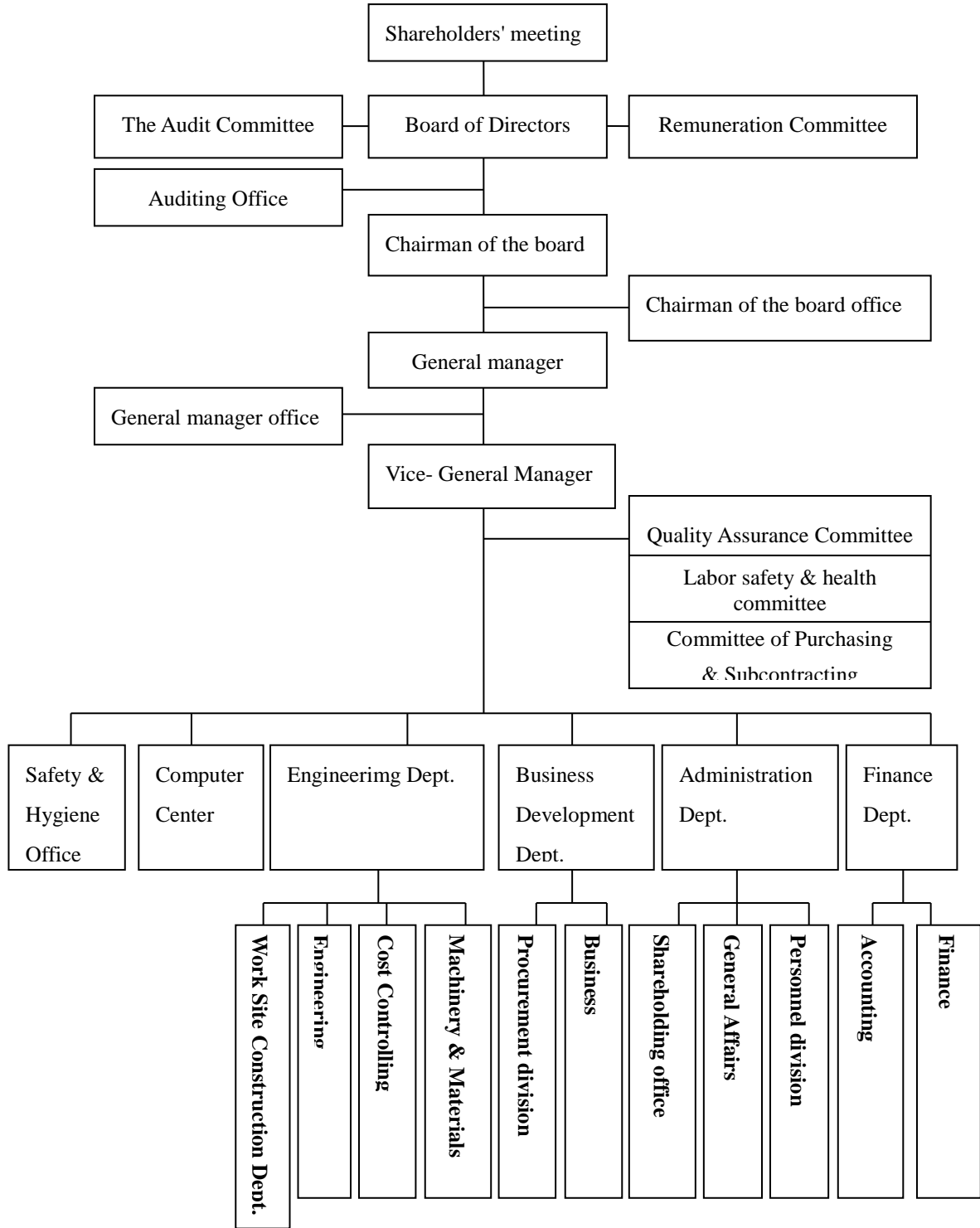
Impact: None.

(3) Group profile, group structure, risk issues: For details of the company's risk issues, please refer to pages 169-174, and related information on related companies, please refer to pages 174-176.

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



### 3.1.2 Major Corporate Functions

Department	Functions
Auditing Office	To check and verify duties performed by various departments, including policies, regulations, and orders as well as expenses.
General Manager Office	Business data analysis, legal consultation and reconciliation, assessment and integration of construction contracts, implementations of various litigation and arbitration cases.
Labor safety & health committee	<ol style="list-style-type: none"> <li>1.To discuss and do a research on implementation plans related to regulations and safety &amp; health education.</li> <li>2.To discuss and do a research on how to prevent the hazards of machinery, equipment or raw materials, and materials.</li> <li>3.To discuss and do a research on countermeasures of operational environmental test results.</li> <li>4.To discuss and do a research on matters related to health management and labor safety &amp; health management.</li> </ol>
Quality assurance committee	<ol style="list-style-type: none"> <li>1.To verify and check the quality plan of project constructions.</li> <li>2.To supervise the implementation of quality control plan.</li> </ol>
Business Development Dept.	<ol style="list-style-type: none"> <li>1.Business:Developments of all construction projects, investment and opening operations, and contract signing, etc.</li> <li>2. Procurement division: Market survey analysis, procurement and contract out matters, information for suppliers, and data filing, etc.</li> </ol>
Engineering Dept.	<ol style="list-style-type: none"> <li>1.Machinery &amp; Materials: The management, allocation, assignment, lease, inventory, and effective reports of usage of machinery equipments.</li> <li>2.Cost Controlling: Construction quality control, analysis on differences, etc.</li> <li>3.Engineering:Construction implementation, progress, and quality managements, documentation, estimations on payment requests, and construction coordination, etc.</li> </ol>

Safety & Hygiene Office	To plan and organize labor safety & health education training programs, set up occupational hazard prevention plan, handle the processing of information related to safety & health, work on statistics and data filing, etc.
Computer Center	Information system development, maintenance training program planning, and computer equipment maintenance and management, etc.
Administration Dept.	<p>1. Personnel division: To simulate and do a research on systems, implementations, and revisions, organize welfares, plan human resources and training programs, etc.</p> <p>2. General Affairs: Simulations, implementations, and revisions of all general affairs, procurement, custody, recipient, allocation, maintenance of public goods, working environment and improvement, maintenance, safety, documentation, receipt and delivery, filing of equipment, registration, inventory, custody, maintenance of properties, and allowance payments, etc.</p> <p>3. Shareholding office: To handle the matters related to company stocks and shareholders, and managements of general affairs, personnel, and stock affairs.</p>
Finance Dept.	<p>1. Finance: Payments of all amounts, the cash dispatch, the use of control, reconciliation processing with the company, contract execution, implementation, cash, receipts, securities and payments of advance payment guarantee application and extension, etc.</p> <p>2. Accounting: Establishment and implementation of accounting systems, accounting accounts handling, cost planning analysis, budgeting, analysis on a variety of operation, managerial reports design, etc.</p>



### 3.2 Directors and Management Team

April 29, 2023

#### 3.2.1 Directors

Title	Nationality/ Country of Origin	Name	Gender/ age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan Taipei	Ch'uan Fu Investment Co. Ltd.	Men/ 71-80	July, 2021	3	May , 1994	12,110,149	2.71	13,321,163	2.71	0	0.00	0	0.00	Ph.D in Business Management, Nankai University  Master degree in Geotechnical Engineering, State University of New York  Master degree in Transportation Engineering, National Taiwan University  Bachelor degree in Civil Engineering, National Taiwan University  Executive Director of General Affairs, Chinese National Federation of Industries  Director of General Affairs, Construction Engineering Industry Association of Taiwan  Executive Director, National Federation of Engineering Industries Association, R.O.C	Kung Sing Engineering Corporation  Executive Director of the National Industrial Federation of the Republic of China	None	None	None
	Republic of China	Representative: Chen ,huan g-ming							0	0.00	0	0.00	0	0.00					
Director	Taiwan Taipei	Ch'uan Fu Investment Co. Ltd.	Men/ 51-60	July, 2021	3	May , 1994	12,110,149	2.71	13,321,163	2.71	0	0.00	0	0.00	PhD in Management, International Business School, Nankai University, China	General Manager of KUNG	None	None	None

	Republic of China	Representative: Chiang,chi-ching							126,659	0.03	9900	0.00	0	0.00	Chairman of the National Federation of Construction Engineering Industries Association of the Republic of China  Executive Director of Taiwan Construction Engineering Industry Association	SING Engineering Co., Ltd. Chairman of Chin Pone Construction Co., Ltd. Chairman of KUNG SING Development Co., Ltd. Chairman of Taiwan Construction Engineering Industry Association			
Director	Taiwan Taipei	Ju hsiang Investment Co. Ltd.	Woman/ 51-60	July, 2021	3	July, 2021	5,006,904	1.17	5,507,594	1.12	0	0	0	0	Bachelor of Tourism, Chinese Culture University Honghui Development and Construction Co., Ltd. Supervisor Head of Hongyi Investment Co., Ltd.	Honghui Development and Construction Co., Ltd. Supervisor	None	None	None
	Republic of China	Representative: Li, shu-hsü					1,726,000	0.39	1,898,600	0.39	1,086	0	0	0					
Director	Taiwan Taipei	Ju hsiang Investment Co. Ltd.	Men/ 41-50	July, 2021	3	July, 2021	5,006,904	1.17	5,507,594	1.12	0	0	0	0	Master of Business Administration, Nankai University, China Head of Honghui Development and Construction Co., Ltd. KUNG SING Engineering Co., Ltd. Senior Manager	KUNG SING Engineering Co., Ltd. Special Assistant to the Chairman's Office Head of Honghui Development and Construction Co., Ltd.	None	None	None
	Republic of China	Representative: P'an,kuan-ju					24,636,330	5.50	27,099,963	5.50	0	0	0	0					
Independent Directors	Republic of China	Chen, chin-yueh	Men/ 51-60	July, 2021	3	June, 2012	0	0.00	0	0.00	90,200	0.02	0	0.00	PhD in Management, International Business School, Nankai University, China  Hsin Fu hsing Co., Ltd. independent directors	New Fuxing Microwave Communication Co., Ltd. Independent Director	None	None	None
Independent Directors	Republic of China	Tu,yi- yang	Men/ 51-60	July, 2021	3	June, 2015	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor of Commerce, Private Tamkang University  Li Yang Certified Public Accountants	Li Yang Certified Public Accountants	None	None	None

Independent Directors (2022.06.30 Resignation)	Republic of China	Ts'ai,lien-shêng	Men/ 71-80	July, 2021	3	July, 2021	0	0.00	0	0.00	0	0.00	0	0.00	Tamkang University Continental Research Institute Master Secretary General of the All-China Federation of Industry Consultant of the Straits Exchange Foundation	Secretary General of the All-China Federation of Industry Consultant of the Straits Exchange Foundation	None	None	None
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**Major shareholders of the institutional shareholders**

April 29, 2023

Name of Institutional Shareholders	Major Shareholders
Ch'uan Fu Investment Co. Ltd.	Pan kuan-ju(78.10%)、Pan, Chun-jun ( 6.20% )、 Li, Kuei-mei ( 15.00% )、Pan , Ying-hsun ( 0.70% )、
Ju hsiang Investment Co. Ltd	Pan, Chun-jun ( 42.86% )、 Li, Kuei-mei ( 39.29% )、 Pan ,Yi-chen ( 3.57% )、Pan, Chi-ju( 3.57% )、 Pan, Ying-chuan( 3.57% )、 Pan , Ying-hsun( 3.57% )、Pan , Ying-ling ( 3.57% )

**3.2.1-1 Disclosure of information on the professional qualifications of directors and the independence of independent directors:**

Name condition	Professional qualifications and experience (Note 1)	Independence situation (Note 2)	concurrently serve as other public offerings Number of independent directors of the company
Ch'uan Fu Investment Co. Ltd.  Representative : Chen ,huang-mi ng	Chairman of KUNG SING Engineering Co., Ltd. Member of Civil Engineers Association, first and second executive director and executive supervisor of Taiwan Civil Engineers Association Associate Professor, Department of Civil Engineering, Tamkang University Associate Manager of Wanding Engineering Company Project Manager of Zhongding Engineering Co., Ltd.	NA	0
Ch'uan Fu Investment Co. Ltd.  Representative :: Chiang,chi-chi ng	General Manager of KUNG SING Engineering Co., Ltd. Chairman of Zhanbang Construction Co., Ltd. Chairman of Jiangsu Industry and Information Engineering Consultants (Shares) Company Chairman of Industry and Information Development (Shares) Company Chairman of Taiwan Comprehensive Construction Industry Association	NA	0

<p>Ju hsiang Investment Co. Ltd. Representative : Li, shu-hsü</p>	<p>Hong-hui Development and Construction Co., Ltd. Supervisor Head of Hong-yi Investment Co., Ltd.</p>	<p>NA</p>	<p>0</p>
<p>Ju hsiang Investment Co. Ltd. Representative : P' an, kuan-ju</p>	<p>Head of Honghui Development and Construction Co., Ltd. KUNG SING Engineering Co., Ltd. Special Assistant to the Chairman's Office</p>	<p>NA</p>	<p>0</p>
<p>Independent Directors : Chen, chin-yueh (Audit Committee)</p>	<p>Hsin Fu hsing Co., Ltd. independent directors LIGITEK Co., Ltd. Independent Supervisor</p>	<p>1. No relatives are directors, supervisors or employees of the company or its affiliated companies. 2. In person (or in the name of others), spouse and unaccompanied The children in 2000 hold no shares of the company. 3. Not serving as a director, supervisor or employee of a company that has a specific relationship with the company. 4. There is no remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.</p>	<p>2</p>

Independent Directors : Tu, yi- yang (Audit Committee Convenor)	Li Yang Certified Public Accountants Tianliang Biotechnology Enterprise Co., Ltd. Independent Director	1. No relatives are directors, supervisors or employees of the company or its affiliated companies. 2. In person (or in the name of others), spouse and unaccompanied The children in 2000 hold no shares of the company. 3. Not serving as a director, supervisor or employee of a company that has a specific relationship with the company. 4. There is no remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	1
Independent Directors : Ts' ai, lien-shêng (Audit Committee) (2022. 06. 30 Resignation )	Secretary General of the All-China Federation of Industry Consultant of the Straits Exchange Foundation Yixin Industrial Co., Ltd. Independent Director Mingwang Technology Co., Ltd. Independent Director Kangshu Technology Co., Ltd. Independent Director	1. No relatives are directors, supervisors or employees of the company or its affiliated companies. 2. In person (or in the name of others), spouse and unaccompanied The children in 2000 hold no shares of the company. 3. Not serving as a director, supervisor or employee of a company that has a specific relationship with the company. 4. There is no remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	3

Note 1: Professional qualifications and experience: state the professional qualifications and experience of individual directors. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience should be stated, and whether there is no company law Article 30 of each case.

Note 2: Independent directors should state their independence, including but not limited to whether they, their spouse, or relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies; The number and proportion of the company's shares held by relatives (or in the name of others); whether or not he is a company that has a specific relationship with the company (refer to Article 3 of the Measures for the Establishment of Independent Directors and Matters to be Followed by Public Companies)

The amount of remuneration received by the company or its affiliated companies for providing business, legal, financial, accounting and other services in the last two years.

### **3.2.1-2 Board Diversity and Independence:**

(1) Diversity of the board of directors: describe the diversity policy, goals and achievement of the board of directors. The diversity policy includes, but is not limited to, the selection criteria for directors, the professional qualifications and experience that the board of directors should have, the composition or ratio of gender, age, nationality, and culture, etc., and the company's specific goals and their achievement are described in the previous policy.

#### **Director Diversity**

The Company's Code of Practice on Corporate Governance has the following policies and norms regarding diversity of the board of directors:

Chapter 3 Strengthening the Functions of the Board of Directors

Section 1 Board Structure

Article 20: The board of directors of the company should guide the company's strategy, supervise the management level, and be responsible to the company and the shareholders' meeting. The operations and arrangements of its corporate governance system should ensure that the board of directors.

Exercising functions and powers in accordance with laws and regulations, the company's articles of association or the resolutions of the shareholders' meeting.

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

The composition of the board of directors should consider diversity. Except that the director who also serves as the manager of the company should not exceed one-third of the number of directors, it should also consider its own operation, operation type and development needs.

In order to formulate an appropriate diversity policy, it should include but not be limited to the following two standards:

1. Basic conditions and values: gender, age, nationality and culture, etc.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The members of the board of directors shall generally possess the knowledge, skills and qualities necessary to perform their duties. In order to achieve the ideal goals of corporate governance, the board of directors as a whole should have the following capabilities:



1. Operational judgment ability.
2. Accounting and financial analysis ability.
3. Operation and management ability.
4. Crisis handling capability.
5. Industrial knowledge.
6. The international market view.
7. Leadership.
8. Decision-making ability.

**Diversity of the board of directors**

Diversified projects/ Director's name	gender	Country of Citizenship	age			Management	leadership decision	Industry knowledge					Financial Accounting	crisis management	international view market view
			41 ~ 50	51 ~ 60	71 ~ 80			construction industry	communication network	textile	Development and construction	Biotechnology Medical			
Chen ,hua ng-ming	Men	Republic of China			•	•	•	•			•		•	•	
Chiang,c hi-ching	Men	Republic of China		•		•	•	•			•	•	•	•	
Li, shu-hsü	Woman	Republic of China		•		•		•			•			•	
P'an,kua	Men	Repub	•			•		•			•			•	

n-ju		lic of China													
Ts'ai,lien-shêng(2022.06.30 Resignation)	Men	Republic of China			●	●	●	●		●			●	●	●
Tu,yi-yang	Men	Republic of China		●		●	●	●				●	●	●	●
Chen, chin-yueh	Men	Republic of China		●		●	●	●	●				●	●	●
Diversity target estimated seats					4	4	4					4	4	4	
Achievement (seats)					7	5	7					5	5	7	
Achievement rate					100%	100%	100%					100%	100%	100%	

Female directors: 1, accounting for 1/7 (14%) of directors

(2) Independence of the board of directors: state the number and proportion of independent directors, and state that the board of directors is independent, and explain with reasons whether there are no items 3 and 4 stipulated in Article 26-3 of the Securities and Exchange Act, including a description Circumstances where the directors, supervisors, or directors and supervisors have spouses and relatives within the second degree of kinship.

Independent directors: 3, accounting for 3/7 of the directors (42.86%). On June 30, 2022, due to the resignation of the independent director Cai Liansheng, there will be 2 independent directors from July 2022, accounting for 2/6 of the directors (33.33%)

Qualifications of independent directors in the company:

Chen, chin- yueh: re-elected from June 2012 to the present (10 years)

Tu,yi- yang: re-elected from June 2015 to the present (7years)

Ts'ai,lien-shêng: July 2021 ~ present (2022.06.30 Resignation)

There are no supervisors in the company, and the directors comply with the regulations as follows:

independence Director's name	Whether there is no circumstance specified in Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act	Whether the directors have a spouse or relative within the second degree	illustrate
Director : Chen ,huang-ming	None	None	The company's audit unit makes a kinship table for inspection
Director : Chiang,chi-ching	None	None	The company's audit unit makes a kinship table for inspection
Director : Li, shu-hsü	None	None	The company's audit unit makes a kinship table for inspection
Director : P'an,kuan-ju	None	None	The company's audit unit makes a kinship table for inspection
Independent Directors : Ts'ai,lien-shêng (2022.06.30 Resignation)	None	None	The company's audit unit makes a kinship table for inspection
Independent Directors : Tu,yi- yang	None	None	The company's audit unit makes a kinship table for inspection
Independent Directors :	None	None	The company's audit unit makes a

Chen, chin- yueh			kinship table for inspection
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### 3.2.2 Management Team

April 29, 2023

Title	Nationality / Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General manager	Republic of China	Chiang,chi-chin g	Men	08 15,2008	126,659	0.03	9,900	0.00	0	0.00	Graduated from Tunghai Senior High School President, Chun Jun Construction Co. Ltd. Executive Director, Taiwan Professional Boxing Association Executive Director, Construction Association Consultant, Executive Yuan The current Chinese KMT Central Committee The current Executive Director,National Association of Construction	Chairman, Chin Pone Construction Company Chairman, Merit Century Investments Limited Chairman, Kung Sing Development Corporation	None	None	None
Executive Deputy General Manager	Republic of China	Chan ming-t'ang	Men	02 10,2023	0	0	0	0	0	0	Graduated from Department of Civil Engineering, Tamkang University Deputy Engineering Department of Veterans Engineering Office Manager of Table Lamp Ying Engineering Co., Ltd. General Engineering Department of Gongxin Engineering Co., Ltd.	None	None	None	None
Vice- General	Republic of	Liu, Yung-ching	Men	03 01,2020	12,438	0.00	0	0.00	0	0.00	Department of Civil Engineering, Southeast University of Science	None	None	None	None

Manager	China										and Technology				
Vice- General Manager	Republic of China	Ting ch'eng-chih	Men	02 10,2023	0	0	0	0	0	0	Master of the Institute of River and Sea Engineering, Ocean University Director of Danjiang Construction Department of Industry and Information Engineering	None	None	None	None
Public Works Senior manager	Republic of China	Jū gé, wěi-mín	Men	12 01,2021	0	0	0	0	0	0	Graduated from the Civil Engineering Department of Jianxing Engineering College Project Manager of Tamjiang Construction Office of KUNG SING Engineering Co., Ltd., Linkou Power Plant Diversion Project, Taichung Port Pier 106 Project	None	None	None	None
Public Works Manager	Republic of China	Kuo, yao- wen	Men	01.01,2020	0	0.00	0	0.00	0	0.00	Department of Civil Engineering, Chung Yuan University Deputy Manager of Public Works Department Kung Sing Engineering Corporation	None	None	None	None
Director, Auditing Office	Republic of China	Liu, Te-chang	Men	12 16,2002	0	0.00	0	0.00	0	0.00	Bachelor degree in Economics, Chinese Culture University Section Chief, Kung Sing Engineering Corporation	None	None	None	None
Vice-manager, Business Development Dept.	Republic of China	Yeh, Tsan-yu	Men	07 01,2017	0	0.00	0	0.00	0	0.00	Department of Civil Engineering, National Taiwan University Graduate School of Civil Engineering, Jiaotong University	None	None	None	None
Manager, Finance Dept.	Republic of China	Huang, li-wang	woman	02 01,2012	22,627	0.00	0	0.00	0	0.00	section manager, Kung Sing Engineering Corporation	None	None	None	None
Accounting Supervisor	Republic of China	Wen, Shu Chiao	woman	12 06,2012	11,226	0.00	0	0.00	0	0.00	Deming College of Business Accounting Statistics Branch Vice- section manager, Kung Sing Engineering Corporation	None	None	None	None

Corporate Governance Supervisor	Republic of China	Li, kuei- chung	Men	12 31,2019	0	0.00	0	0.00	0	0.00	Institute of Civil Engineering, Cheng Kung University graduate Institute of Soochow University Law Institute graduate School Kung Sing Engineering Corporation Director of General Manager's Office (Legal Director)	None	None	None	None
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### 3.3 Remuneration of Directors, President, and Vice President

#### 3.3.1 Remuneration of Directors

2022/12/31 Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)								
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements			The company	Companies in the consolidated financial statements
																		Cash	Stock	Cash	Stock			
Chairman of the board	Ch'uan Fu Representative: Chen ,hu ang-ming	0	0	0	0	0	0	265	265	2.46	2.46	3,893	3,893	0	0	38	0	38	0	38.99	38.99	None		
Directors	Ch'uan Fu Representative: Chiang,c hi-ching	0	0	0	0	0	0	270	270	2.51	2.51	3,104	3,104	172	172	38	0	38	0	33.30	33.30	None		

Directors	Ju hsiang Representative: Li, shu-hsü	0	0	0	0	0	0	270	270	2.51	2.51	0	0	0	0	0	0	0	0	0	2.51	2.51	None
Directors	Ju hsiang Representative: P'an,kuan-ju	0	0	0	0	0	0	270	270	2.51	2.51	1,368	1,368	101	101	19	0	19	0	0	16.34	16.34	None
Independent Directors	Chen, chin-yueh	0	0	0	0	0	0	470	470	4.37	4.37	0	0	0	0	0	0	0	0	0	4.37	4.37	None
Independent Directors	Tu,yi-yang	0	0	0	0	0	0	470	470	4.37	4.37	0	0	0	0	0	0	0	0	0	4.37	4.37	None
Independent Directors	Ts'ai,lien-shêng(2022.06.30 Resignation)	0	0	0	0	0	0	270	270	2.51	2.51	0	0	0	0	0	0	0	0	0	2.51	2.51	None

1. Please describe the payment policy, system and structure in accordance with the remuneration regulations and standards, and bear the responsibilities, risks, time and other factors, and describe the relevance of the remuneration payment:

(1) According to Article 15 of the company's articles of association, the salary standard for everyone is based on the payment standard of the company operating the company, and participates in determining the size of its operation, and the meeting decides the implementation.

(2) It is also clearly stipulated that 3% of the company's annual profit will not be increased as the performance.

Because the three indicators are subject to fixed-term supervision at the same time, the committee and its members need to review the review report, select companies other than remuneration in the manager's core to review, review, review and audit, as well as regular review and review, endorsement guarantee etc. related The competent department, responsible and responsible for the time, are all responsible for the implementation of the cost index on the index because of the trust fund, which is generally a high responsibility.

2. In addition to those disclosed in the above table, the remuneration received by the directors of the company for providing services in the most recent year (such as serving as a consultant for the parent company/all companies listed in the financial report/transferring enterprises that are not employees of the company, etc.) Remuneration received by all companies for providing services (such as serving as a consultant for non-employees, etc.): None.

Range of Remuneration (The amount has a range : contain/Not included)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$1 ,000,000	Chen ,huang-ming 、Chiang,chi-ching 、 Li, shu-hsü 、 P'an,kuan-ju 、 Chen, chin- yueh 、 Tu,yi- yang 、 Ts'ai,lien-shêng	Chen ,huang-ming 、 Chiang,chi-ching 、 Li, shu-hsü 、 P'an,kuan-ju 、 Chen, chin- yueh 、 Tu,yi- yang 、 Ts'ai,lien-shêng	Li, shu-hsü 、 Chen, chin- yueh 、 Tu,yi- yang 、 Ts'ai,lien-shêng	Li, shu-hsü 、 Chen, chin- yueh 、 Tu,yi- yang 、 Ts'ai,lien-shêng
NT\$1,000,000 ~ NT\$2,000,000	0	0	P'an,kuan-ju	P'an,kuan-ju
NT\$2,000,000 ~ NT\$3,500,000	0	0	0	0
NT\$3,500,000 ~ NT\$5,000,000	0	0	Chen ,huang-ming 、 Chiang,chi-ching	Chen ,huang-ming 、 Chiang,chi-ching
NT\$5,000,000~ NT\$10,000,000	0	0	0	0
NT\$10,000,000 ~ NT\$15,000,000	0	0	0	0
NT\$15,000,000~ NT\$30,000,000	0	0	0	0
NT\$30,000,000 ~ NT\$50,000,000	0	0	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	7	7	7	7



### 3.3.2 Remuneration of the President and Vice President

2022/12/31 Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General manager	Chiang,chi-ching	2,844	2,844	172	172	296	296	38	0	38	0	31.13	31.13	None
Vice - General Manager (Inauguration 2020 0301 )	Liu, Yung-ching	1,990	1,990	46	46	250	250	47	0	47	0	21.68	21.68	None

Range of Remuneration (The amount has a range : contain/Not included)	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	0	0
NT\$1,000,000 ~ NT\$2,000,000	0	0
NT\$2,000,000 ~ NT\$3,500,000	Chiang,chi-ching 、 Liu, Yung-ching	Chiang,chi-ching 、 Liu, Yung-ching
NT\$3,500,000 ~ NT\$5,000,000	0	0
NT\$5,000,000 ~ NT\$10,000,000	0	0
NT\$10,000,001 ~ NT\$15,000,000	0	0
NT\$15,000,001 ~ NT\$30,000,000	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	2	2

**3.3.3 Name of the manager who distributes employee compensation and distribution situation:**

2022/12/31 Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	General manage	Chiang,chi-ching	0	159	159	1.48
	Vice- General Manage	Liu, Yung-ching				
	Manager, Finance Dept.	Huang, li-wang				
	Accounting Supervisor	Wen, Shu Chiao				
	Corporate Governance Supervisor	Li, kuei- chung				

**3.3.4 The remuneration of the company's top five remuneration executives( Note1)**

Title	Name	Salary(A)( Note2)		Severance Pay (B)		Bonuses and Allowances (C)( Note3)		Employee Compensation (D))( Note4)				Ratio of total compensation (A+B+C+D) to net income (%) ( Note6)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary( Note7)
		The company	Companies in the consolidated financial statements( Note5)	The company	Companies in the consolidated financial statements( Note5)	The company	Companies in the consolidated financial statements( Note5)	The company		Companies in the consolidated financial statements)( Note5)		The company	Companies in the consolidated financial statements( Note5)	
								Cash	Stock	Cash	Stock			
General manager	Chiang,chi-ching	2,844	2,844	172	172	296	296	38	0	38	0	31.13	31.13	None

Vice - General Manager	Liu, Yung-ching	1,990	1,990	46	46	250	250	47	0	47	0	21.68	21.68	None
Manager, Finance Dept.	Huang, li-wan g	1,057	1,057	79	79	144	144	28	0	28	0	12.15	12.15	None
Corporate Governance Supervisor	Li, kuei-chung	1,085	1,085	63	63	155	155	28	0	28	0	12.37	12.37	None
Accounting Supervisor	Wen, Shu Chiao	668	668	57	57	93	93	18	0	18	0	7.77	7.77	None

Note 1: The "top five top executives of remuneration" refers to the managers of the company, to the certification standards of the relevant managers, based on the three-character "Taiwan Finance Certificate" dated March 27, 2003 by the Securities and Futures Management Commission of the former Ministry of Finance Letter Order No. 0920001301

The application scope of the "manager" shall be stipulated. As for the "top five highest remuneration" calculation and determination principle, it is based on the company's managers receiving salaries, retirement pensions, bonuses and special expenses from all companies in the consolidated financial report, as well as the total amount of employee remuneration (that is, A +B+C+D (the total amount of four items), and the five highest remunerations will be recognized after sorting. If the director concurrently serves as the former director, this form and the above form (1-1) should be filled in.

Note 2: This is the salary, job bonus, and severance pay of the top five highest compensation executives in the most recent year.

Note 3: The amount of various bonuses, incentives, carriage fees, special expenses, various allowances, dormitories, car allocation and other

remunerations of the top five top executives in the most recent year is filled in. Such as providing houses, cars and other transportation or exclusive

When personal expenditures, the nature and cost of the assets provided, the actual or fair market price rent, oil and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share Basic Benefits", including obtaining employee stock options, restricting employee rights, new shares, and participating in cash capital increase subscription for shares, should also be included in remuneration.

Note 4: The amount of compensation (including stocks and cash) for the employees of the top five top executives approved by the board of directors in the most recent year is listed. If it is not possible to estimate, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year. Fill in and attach

Table one of three.

Note 5: The total amount of remuneration paid to the top five top executives of the company by all companies (including the company) in the consolidated report should be disclosed.

Note 6: Net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note 7: a. This column should clearly indicate the amount of the top five remuneration executives of the company receiving related remunerations from the non-subsidiary investment business or the parent company (if none, please fill in "none").

b. Remuneration refers to the remuneration and remuneration (including remuneration for employees, directors and supervisors) received by the company's top five executives with the highest remuneration as directors, supervisors or managers of subsidiaries or parent companies. And related remuneration such as business execution costs.

\* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

### 3.3.5 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Year	Total remuneration paid to directors, supervisors, presidents and vice presidents		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2022	13,351	13,351	124.06	124.06
2021	13,781	13,781	39.17	39.17

Directors, supervisors	Traveling expenses	Paid monthly.
	Remuneration	In accordance with the Corporate charter 15: Referring to the domestic and foreign standards, the Board makes the decision along with the approval from the Remuneration Committee.
General manager, Vice- General Manager	Salary	In accordance with the Company's personnel managing rules, and the remuneration committee's considerations.
	Bonus	In accordance with the Corporate charter 16: Referring to the domestic and foreign standards, the Board makes the decision along with the approval from the Remuneration Committee.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

#### **The link between board performance evaluation and salary compensation**

In accordance with Articles 15 and 18 of the company's articles of association and Article 7 (2) of the Organizational Regulations of the Salary and Remuneration Committee

Regulations:

Article 15 of the articles of association:

The remuneration of all directors is determined by the board of directors based on the degree of participation and contribution to the company 's operations and the value of the industry at home and abroad.

Article 18:

After deducting the accumulated losses according to the current year's profit status, if the company still has a balance, the employee compensation should be 3% to 5%, and the director's compensation should not exceed 3%.

Paragraph 2 of Article 7 of the Organizational Regulations of the Salary and Remuneration Committee:

When the Committee performs its functions and powers, it shall do so in accordance with the following principles:

1. Ensure that the company's salary and remuneration arrangements comply with relevant laws and regulations and are sufficient to attract outstanding talents.

2. The performance evaluation and salary and remuneration of directors, audit committees and managers should refer to the normal level of the industry.

Shape, and consider the results of individual performance evaluation, time invested, responsibilities, achievement of personal goals, performance of other positions, salary and compensation of the company for the same position in recent years, and achievement of short-term and long-term business goals by the company , The company's financial status, etc. to assess the reasonableness of the correlation between individual performance and the company's operating performance and future risks.

3. Directors and managers should not be guided to pursue behaviors that exceed the company's risk appetite in pursuit of salary and remuneration.

4. The proportion of short-term performance payment of directors and senior managers and some changes in salary payment time should be determined by considering the characteristics of the industry and the nature of the company's business.

5. The content and amount of the remuneration of the directors, audit committee and managers should be considered for their reasonableness. The decision of the remuneration of the directors, audit committee and managers should not be significantly contrary to financial performance. For a long-term loss, the salary should not be higher than the previous year. If it is still higher than the previous year, the reasonable explanation should be disclosed in the annual report and reported to the shareholders' meeting.

6. The members of this committee shall not participate in the discussion and voting on their personal salary and remuneration decisions.

The Board has passed the resolution and the Company has established the

remuneration committee on December 28th, 2011.

Salaries for directors and managers are determined according to considerations made by the committee, performances of directors and managers along with the policy, regulations, standards, and the structure of salary and compensation shall take into account in determining the amount of salaries for directors and managers.

The procedures for setting remuneration are based on the Company's "Measures for the Performance Evaluation of the Board of Directors and Functional Committees" and the Company's personnel assessment related methods as the basis for the evaluation of directors and managers, in addition to referring to the company's overall environment in terms of environment, society and governance Performance, industry future risks and operational development trends, and also refer to the individual's performance achievement rate, investment time, responsibilities and contribution to the company's performance, and give reasonable remuneration. The relevant performance assessment and remuneration rationality are approved by the Compensation and Remuneration Committee and The board of directors reviews and reviews the remuneration system at any time according to the actual operating conditions and relevant laws and regulations, so as to balance the sustainable operation of the company and risk control. Based on the aforementioned assessment, the net profit after tax in this (2022) year was reduced compared with last year. According to the resolution of the Remuneration Committee and the Board of Directors on March 14, 2023, directors' remuneration will not be distributed.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

In 2022, the board of directors held 6 meetings [A], and the attendance of directors is as follows:

2 meetings from January to June 2022, 4 meetings from July to December

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Chairman	Ch'uan Fu Representative: Chen ,huang-ming	5	0	83.33%	
Director	Ch'uan Fu Representative: Chiang,chi-ching	6	0	100%	
Director	Ju hsiang Representative:	6	0	100%	



	Li, shu-hsiü				
Director	Ju hsiang Representative: P' an, kuan- ju	6	0	100%	
Independent director	Chen, chin- yueh	6	0	100%	
Independent director	Tu, yi- yang	6	0	100%	
Independent director	Ts'ai, lien-shêng	2	0	100%	2022.06.30 Resignation

Other mentionable items:

1. If any of the following situations occurs in the operation of the board of directors, the date, period, content of the proposal, opinions of all independent directors, and the company's handling of the opinions of independent directors shall be stated:
  - (1) Items listed in Article 14-3 of the Securities and Exchange Act: Please refer to P100-106 (Proposals related to Securities and Exchange Act 14-3 are marked after each topic.)
  - (2) Except for the above-mentioned matters, other resolutions of the board of directors that have been objected or reserved by independent directors and have records or written statements: None
2. The implementation of the director's recusal of the stakeholder proposal:
  - (1) 2022.03.29 Proposal VI for the first meeting of the twenty-seventh board of directors in 2022: 2021 employee and director remuneration distribution proposal. (Submitted by the Compensation Committee)  
In the agenda of this case, interested parties are requested to withdraw from the voting, and other directors shall vote.  
Resolution: This case was passed without objection by all directors present.
  - (2) 2022.03.29 Proposal VII for the first meeting of the twenty-seventh session of the board of directors in 2022: Review the salary and salary adjustment of directors and managers in 2022. (Submitted by the Compensation Committee)  
In the agenda of this case, interested parties are requested to withdraw from the voting, and other directors shall vote.  
Resolution: This case was passed without objection by all directors present.
  - (3) 2022.12.27 Proposal 5 for the sixth meeting of the twenty-seventh board of directors in 2022: the implementation of director and manager remuneration and year-end performance evaluation. (Submitted by the Compensation Committee)  
In the agenda of this case, interested parties are requested to withdraw from the voting, and other directors shall vote.  
Resolution: This case was passed without objection by all directors present.
3. Listed OTC companies should disclose information such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the board of directors'

self (or peer) evaluation. Please refer to P49 "Implementation of Board Evaluation" and P57-62.

4. The current year and the most recent year to strengthen the objectives of the board of directors and the evaluation of the implementation situation: In 2022, two remuneration committee meetings will be held to strengthen the performance evaluation and salary structure. The basis for performance appraisal, and conduct review and improvement. For information on corporate governance operations, please refer to the company's official website information disclosure (<https://www.kseco.com.tw/upload/17/2022122811175441205.pdf>).

In 2022, all directors and independent directors will complete 6 hours of training to strengthen the functions of the board of directors.

### Evaluation of the implementation of the board of directors

<u>Evaluation cycle</u>	<u>Assess time span</u>	<u>Assessment scope</u>	<u>Evaluation method</u>	<u>Evaluation content</u>
Once a year	January 1, 2022 Until December 31	Board of Directors, Remuneration Committee, Audit Committee Performance Evaluation and Individual Directors	Self-assessment of performance evaluation of the board of directors, remuneration committee and audit committee by way of internal company evaluation. Individual directors also conduct self-assessments.	<p>The contents of the board performance evaluation include:</p> <ol style="list-style-type: none"> <li>1. Participation in company operations With (12 items).</li> <li>2. Board decision quality (12 items).</li> <li>3. Board composition and knot Structure (7 items).</li> <li>4. Selection and holding of directors Continue training (7 items).</li> <li>5. Internal control (7 items).</li> </ol> <p>The contents of individual director self-evaluation include:</p> <ol style="list-style-type: none"> <li>1. Company goals and tasks Mastery (3 items).</li> <li>2. Director's responsibilities (3 item).</li> <li>3. Participate in company operations Situation (8 items) ◦</li> <li>4. Internal relationship management and communication (3 items) ◦</li> <li>5. Director's professional and continuous education (3 items).</li> <li>6. Internal control (3 items) ◦</li> </ol> <p>Remuneration Committee and Audit the content of the performance evaluation of the Planning Committee includes :</p> <ol style="list-style-type: none"> <li>1. Participation in company operations (4 items).</li> <li>2. Committee Responsibility (5 items).</li> <li>3. Improve the quality of committee decision-making (7 items).</li> <li>4 Committee composition and composition election of members (3 items).</li> <li>5. Internal control (3 items).</li> </ol>

\*The 2022 assessment results have been reported at the Public Information Observatory. For the implementation of the performance evaluation of the board of directors and the self-evaluation system of directors, please also refer to the description of “Corporate Governance Operation and its Differences from the Code of Practice on Governance of Listed OTC Companies and Reasons” on page 57.

### 3.4.2 Operation of the Audit Committee:

In 2022, the Audit Committee will meet 5 times [A]. The members' attendance and annual work priorities are as follows:

2 meetings from January to June 2022, 3 meetings from July to December 2022

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent director	Tu,yi-yang	5	0	100%	
Independent director	Chen, chin-yueh	5	0	100%	
Independent director	Ts'ai,li en-shêng	2	0	100%	2022.06.30 Resignation

Other mentionable items:

- If any of the following situations occurs in the operation of the audit committee, the audit committee meeting date, period, content of proposals, independent directors' objections, reserved opinions or major proposals, the results of the audit committee's resolutions, and the company's approval of the audit committee should be stated. Handling of opinions.
  - Matters listed in Article 14-5 of the Securities and Exchange Law: For all the proposals and resolutions of the Audit Committee in 2022 and up to the publication date of the annual report, and the company's implementation, please refer to P106-110. Proposals related to Securities and Exchange Act 14-5 are marked after each topic.
  - Except for the above-mentioned matters, other resolution matters that have not been approved by the audit committee and approved by more than two-thirds of all directors: None.
- Execution status of independent directors' recusal of interest-related proposals (should state independent director's name, proposal content, reasons for recusal of interests, and participation in voting): There is no such case for the audit committee (see Remuneration and Board of Directors for remuneration and recusal of independent directors' interests operating conditions).
- Communications between independent directors and internal audit supervisors and accountants: (should include major events, methods and results of communication on the company's financial and business conditions, etc.).
  - Communication policy between independent directors, internal audit supervisors and accountants:
    - Independent directors and accountants conduct written or face-to-face communication on the completion of the company's financial report on a quarterly basis to confirm the reliability of the company's public financial information, communicate the work of auditors, understand the company's major risks, and understand the management's approach to reducing risks. Accountants report and communicate with independent directors on the completion stage of the company's financial report, major adjusting entries and unadjusted entries, information on related parties, customer statements, independence of accountants, and independent directors. Convene meeting.

B. The internal audit supervisor and independent directors hold meetings on a quarterly basis to report on the company's internal audit implementation and internal control operations. In case of major abnormalities, a meeting may be called accordingly.

(2) Communication between independent directors and accountants: (annual work focus)

The accountant communicates with the governing unit on checking (reading) the company's financial reports, major accounting estimates, selection and change of accounting principles, major adjusting entries and unadjusted entries, independence of accountants, etc., and irregularly communicates with independent directors as needed Interviews to discuss matters related to corporate governance and the company's financial status.

Communication date between independent directors and accountants in 2022:

3/29 The financial report has been approved by the (third) audit committee, and submitted to the board of directors for approval, the declaration is completed, and the independence of certified accountants is assessed. Independent director/audit committee has no opinion.

5/11 The financial report has been approved by the (third) audit committee, submitted to the board of directors for approval and completed. Independent director/audit committee has no opinion.

On 8/11, the (third) audit committee approved the financial report, and submitted it to the board of directors for approval and the declaration was completed. Independent director/audit committee has no opinion.

11/10 The financial report has been approved by the (third) audit committee, submitted to the board of directors for approval and completed. Independent director/audit committee has no opinion.

Before the meeting of the Audit Committee on August 11, 2022, the accountant and the independent directors will have a separate symposium. The items are as follows:

- (1). Revenue status.
- (2). The status of each project.
- (3). The current situation of the lawsuit.
- (4). Self-compiled financial report.

In this symposium, the independent directors had no objection, and the communication was good.

3/29 The audit committee and the board of directors approved the company's "internal control system statement", revised the company's "acquisition or disposal of assets processing procedures" part of the text, and revised the company's internal control system "financial statement preparation"

Process Management System" part of the text. Independent director/audit committee has no opinion.

On 5/11, the audit committee and the board of directors had no audit-related discussion topics, but the audit supervisor still attended the meeting as a non-voting delegate. And report on the implementation of the audit business in the report of the board of directors.

8/11 The audit committee and the board of directors approved the establishment of the company's "internal material information processing procedures". Independent director/audit committee has no opinion.

11/10 The Audit Committee and the Board of Directors approved the establishment of the company's internal control system "Treasury Stock Transfer Management System"

and revised some operating provisions of the "Management System for Board Meeting Operations", "Financial Management System" and "Internal Audit System". Independent director/audit committee has no opinion.

12/27 The Audit Committee approved the revision of some articles of the company's "Internal Material Information Processing Procedures". (The audit supervisor asked for leave for this meeting, and the audit commissioner attended the meeting)

The board of directors approved the 2023 annual audit plan and revised the company's "internal material information processing procedures" part

Article text. (The audit supervisor asked for leave for this meeting, and the audit commissioner attended the meeting)

Independent director/audit committee has no opinion.

12/27 Prior to the remuneration and audit committee, the audit and independent directors conducted separate interviews, the contents of which are as follows:

(1) Integrating the implementation of the audit report business in the first to fourth quarters (January to December) of 2022.

(2) Report to the independent director that the 2022 annual audit business has been completed in accordance with the annual audit plan, and submit the 2023 annual audit plan for review by the board of directors in accordance with the provisions of the internal control system processing guidelines.

(3) At present, the self-assessment of various departments in 2022 has begun. The entire work schedule is expected to be completed by the end of February 2023, and the internal control statement will be issued in March.

Implementation status: independent directors have no objection, and the audit continues to be carried out in accordance with the regulations.

### 3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Has the company formulated and disclosed the code of corporate governance practice in accordance with the "Code of Practice for Corporate Governance of Listed OTC Companies"?	√		On November 13, 2014, the company formulated the company's corporate governance code of practice in accordance with the "Code of Practice for Listed OTC Companies", which was approved by the board of directors for implementation. On March 29, 2022 and December 27, 2022, the board of directors passed the seventh and Eighth Amendment, and disclosed in the Public Information Observatory ( <a href="http://mops.twse.com.tw/mops/web/t100sb04_1">http://mops.twse.com.tw/mops/web/t100sb04_1</a> ) stock code: 5521, and the company's official website <a href="http://www.kseco.com.tw/tc/regulations.aspx">http://www.kseco.com.tw/tc/regulations.aspx</a>	None
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating	√		Internal control of the Company set about parties on record operating procedures, the actual	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?			operation of the process in conformity to prescribed procedures and made a record, the company website investor contact zone and set up the window, a spokesman for the establishment of mechanisms to deal with shareholder proposals, doubts, disputes and litigation matters. .	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the	None



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	√		<p>guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries.</p> <p>To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information(amended in August 2015 Preventing insider trading management system operations). The Company has also strongly advocated these rules in order to prevent any violations.</p>	None
<p>3.Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	√		(1) Factors considered in the composition of the directors of the Company include, but are not limited to, gender, age, culture, educational	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		√	<p>background, ethnicity, professional experience, skills, knowledge and terms of service. The Board of Directors objectively selects candidates to meet the goal of membership diversity. In addition to the directors of the company with a background in construction and operation and management, the independent directors also have a background in finance. Please refer to P30-32 of this annual report and the company's website investor zone - corporate governance - director introduction.</p> <p><a href="http://www.kseco.com.tw//tc/finance1.aspx">http://www.kseco.com.tw//tc/finance1.aspx</a></p> <p>(2) In addition to the salary and remuneration committee, the company has established an audit committee after the re-election of directors at the shareholders' meeting in 2015, and is expected to establish a sustainability committee after the</p>	other functional panel will assess whether to set.

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? And report the results of the performance evaluation to the board of directors and run. References for individual directors' remuneration and nomination renewal?	√		<p>shareholders' meeting in June 2023.</p> <p>(3) In 2019, the Company has formulated the "Measures for Performance Evaluation of the Board of Directors and Functional Committee Members", and since that year, it has issued a performance self-evaluation questionnaire to all board members.</p> <p>The performance evaluation of the board of directors is carried out. After each director has completed the evaluation, the board of directors will collect statistics and report at the board meeting and put forward the direction of improvement, which will be used in the remuneration of individual directors and as a reference for nomination and re-appointment.</p> <p>Please refer to page 49 for the self-assessment of</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>the directors of the company. After all the questionnaires are collected, they will report to the latest board of directors and put forward improvement suggestions for areas that can be strengthened.</p> <p>The company's "Measures for the Performance Evaluation of the Board of Directors and Functional Committees" stipulates that the performance evaluation of the Board of Directors and functional committees should be carried out at least once a year. The evaluation period should be at the end of each year.</p> <p>Conduct annual performance reviews.</p> <p>The results of the performance evaluation of the board of directors and functional committees should be completed before the end of the first quarter of the following year.</p> <p>The internal self-evaluation of the performance</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>of the company's 2022 board of directors and its functional committees has been completed; and submitted to the board of directors on March 14, 2023. After the deliberative unit reports to the board of directors, report the suggested matters and improvement plan to the public information Observatory and annual report of the company. The evaluation results of the board of directors and functional committees in 2022 are all excellent: the board of directors scored 4.81 points, the audit committee scored 4.89 points, and the remuneration committee scored 4.84 points (all points are 5 points), but a few parts still need to be refined and optimized:</p> <p>A. Individual directors: Individual directors can be further strengthened in the evaluation of corporate risk management and the professional development of directors'</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>training courses.</p> <p>Improvement plan:</p> <p>(A) Strengthen individual directors' assessment of the company's risk management and potential risks.</p> <p>(B) Improve the professional development of individual directors' training courses.</p> <p>B. Board of Directors:</p> <p>"Directors' Attendance at Shareholders' Meeting" on the degree of participation in the company's operations</p> <p>The two evaluation items of "director training with continuous professional development plan" and director selection and continuous training need to be strengthened.</p> <p>Improvement plan:</p> <p>(A) Invite directors/independent directors to cooperate in attending the shareholders' meeting.</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(B) Directors will be arranged to participate in continuous professional development.</p> <p>C. Functional Committee:  The degree of participation in the company's operations "accurately evaluates and monitors the company's existing or potential risks" and the decision-making quality of the functional committee "the information provided by the company to the committee is complete, timely, and of a certain quality, enabling the audit committee to perform its duties smoothly. Responsibilities..." 2 items, and need to be strengthened.</p> <p>Improvement plan:  (A) Strengthen the timeliness of providing information related to functional committee meetings.  (B) Strengthen the supervision and assessment of</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	√		<p>various potential risks of the company by the functional committee.</p> <p>(4) The company evaluates the independence and suitability of accountants in the first quarter of each year. In 2023, for the first time, the Audit Committee will evaluate the independence and suitability of accountants through the audit quality index (AQI). Principles of sex and suitability.</p> <p>The evaluation method and execution situation are as follows:</p> <p>A. Accountants and independent directors (audit committee) hold discussions every year, and the contents of the discussions include five aspects of audit quality indicators.</p> <p>B. The audit committee shall review the independence and competence of the accountants</p>	None



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>in accordance with the standards of audit quality indicators, and the resolution shall be passed by the audit committee.</p> <p>C. During the period of cooperating with the company, accountants Lin Sekai and Wen Afang of Zha Visa did not have any conflict of interest and complied with the principle of independence. They were approved by the audit committee and submitted to the board of directors for approval. Resolution: Passed by the resolution of all attending members of the Audit Committee on March 14, 2023, and passed by the resolution of all attending directors on March 14, 2023.</p>	
4.Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to	√		<p>The company takes the stock office of the administrative department as the unit responsible for corporate governance affairs , and appointed director Li, kuei- chung as a full-time corporate governance supervisor, in</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?			addition to providing directors (including independent directors) with the necessary information for business execution, handling matters related to meetings of the board of directors and shareholders' meetings, handling company registration and change registration, and making minutes of board of directors and shareholders' meetings, etc. In addition to events, build and maintain the company website for information disclosure and information related to corporate governance, stakeholders, and corporate social responsibility. For relevant corporate governance operations and implementation, please refer to the company's website: <a href="https://www.kseco.com.tw/upload/67/2023050811291039437.pdf">https://www.kseco.com.tw/upload/67/2023050811291039437.pdf</a>	
5.Does the company establish a communication	√		The company has established a special area for	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?			stakeholders on the company's website, and provides appropriate communication channels (the website has an investor contact window, and provides online questioning channels and sustainable development questionnaires) to understand and appropriately respond to stakeholders' concerns. important corporate social responsibility issues of concern. Please refer to our website (Investor Zone, Sustainability Zone and Stakeholder Zone) <a href="https://www.kseco.com.tw/tc/index.aspx">https://www.kseco.com.tw/tc/index.aspx</a>	
6.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	√		The company appoints a professional stock agency "Yuanta Securities Stock Agent" to handle the affairs of the company's shareholders' meeting.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
7.Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1)The Company has set up a Chinese/English website ( <a href="http://www.kseco.com.tw">http://www.kseco.com.tw</a> ) to disclose information regarding the Company’s financials, business and corporate governance status.	None
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2)The Company has assigned an appropriate person to handle information collection and disclosure. Contact person: Shareholding office. The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.	None
(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?		✓	(3) The company currently publishes and declares its annual financial report by the end of March in accordance with regulations. The first, second, and third quarters are also completed within the standard timeframe. The monthly revenue is declared before the 10th of each	At present, it is reported in advance within 75 days after the end of the year, and it will still follow the corporate governance

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			month.	3.0 standard in the future implement.
<p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p> <p>(1) The directors and supervisors of the Company are in the process of further training. ( Please refer to P68-70) The Company has established an audit committee and has no supervisors. In addition to the 6-hour course for the required directors, the company also regularly arranges related activities such as corporate governance, corporate ethics and certification, and internal transactions.</p> <p>(2) Please refer to page 46-47 for the status directors and supervisors participating in the meeting of the board of directors. For employees’ interests and care, please refer to pages 142-148.</p> <p>(3) For the risk management policy and risk assessment standard, please refer to pages 169-174. The relationship with suppliers and the status of customer policy, please refer to pages 137-139. For the relationship among investors and interests of related parties, please refer to “For investors” on the company’s website.</p> <p>(4)In addition to dedication to its regular management and profit maximization, the company as well is aware of its corporate responsibility for the society, and constantly pays attention to consumers’ interests and environmental protection. Please refer to pages 77-85 regarding responsibility to the society stated in the area for investors on the company’s website.( <a href="https://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836">https://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836</a>)</p>				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																
	Yes	No	Abstract Illustration																	
<p>(5) The company’s directors are evaded from participating in the voting of cases involved with interests and forces and may cause harm to the company’s interests listed by the Board.</p> <p>(6) The company purchased liability insurance for all directors on November 16, 2018 and And renew on November 16, 2022, and has applied to the public information observatory.</p> <p>(7) In order to enhance the company’s operation, the company successively checks and complies with the authorities and set up related measures and internal operating procedure based on needs. Such as “procedure of meetings of the Board of Directors”, “procedures of the acquisition or disposition of assets”, “procedures of engaging in derivative transactions”, “procedures and rules of shareholders’ meeting”, “election measures for directors and supervisors”, “procedures of derivative transactions”, “budget management measures”, “subsidiary management measures”, “prevention of insider trading management systems”, and “public information reporting and operational control”. Among which, “prevention of insider trading management systems” and “public information reporting and operational control” are the major information processing procedures, as all related departments and staff are dealing with important information or disclosure, must follow the related procedures and regulations.</p> <p>As a site is established, the company always offers a complete internal control system to each site, and when amendments and additions are made, all staff, managers, and directors will be noticed immediately.</p> <p><u>Directors training records:</u></p> <table border="1"> <thead> <tr> <th rowspan="2">Title</th> <th rowspan="2">Name</th> <th rowspan="2">Training hours</th> <th colspan="2">Study period</th> <th rowspan="2">Sponsoring Organization</th> <th rowspan="2">Course</th> </tr> <tr> <th>From</th> <th>To</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>Chen ,huang-min g</td> <td>3H 3H</td> <td>2022/10/14 2022/10/26</td> <td>2022/10/14 2022/10/26</td> <td>Securities and Futures Development Foundation</td> <td>1.2022 Insider Trading Prevention Promotion Conference 2.2022 Insider Equity Transaction Legal Compliance Publicity</td> </tr> </tbody> </table>					Title	Name	Training hours	Study period		Sponsoring Organization	Course	From	To	Director	Chen ,huang-min g	3H 3H	2022/10/14 2022/10/26	2022/10/14 2022/10/26	Securities and Futures Development Foundation	1.2022 Insider Trading Prevention Promotion Conference 2.2022 Insider Equity Transaction Legal Compliance Publicity
Title	Name	Training hours	Study period					Sponsoring Organization	Course											
			From	To																
Director	Chen ,huang-min g	3H 3H	2022/10/14 2022/10/26	2022/10/14 2022/10/26	Securities and Futures Development Foundation	1.2022 Insider Trading Prevention Promotion Conference 2.2022 Insider Equity Transaction Legal Compliance Publicity														

Evaluation Item			Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Yes	No	Abstract Illustration	
						Explanation Session
Director	Chiang,chi-ching	3H 3H	2022/10/14 2022/10/26	2022/10/14 2022/10/26	Securities and Futures Development Foundation	1.2022 Insider Trading Prevention Promotion Conference 2.2022 Insider Equity Transaction Legal Compliance Publicity Explanation Session
Director	Li,shu-hsü	3H 3H	2022/09/29 2022/10/14	2022/09/29 2022/10/14	Taiwan Stock Exchange Securities and Futures Development Foundation	1. Release of reference guidelines for independent directors and audit committees to exercise their powers and directors and supervisors promotion meeting. 2. 2022 Insider Trading Prevention Promotion Conference
Director	P'an,kuan-ju	3H 3H	2022/10/04 2022/10/04	2022/10/04 2022/10/04	Securities and Futures Development Foundation	1. Challenges and opportunities of sustainable development path and introduction of greenhouse gas inventory. 2. How should directors and supervisors supervise enterprise risk management and crisis management.
Independent director	Chen,chin-yueh	3H 3H	2022/06/10 2022/10/11	2022/06/10 2022/10/11	Securities and Futures Development Foundation	1. 1.2022 Insider Trading Prevention Promotion Conference

Evaluation Item				Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
				Yes	No	Abstract Illustration	
					Taiwan Stock Exchange	2. Release of reference guidelines for independent directors and audit committees to exercise their powers and directors and supervisors promotion meeting	
Independent director	Tu,yi-yang	3H 3H	2022/09/20 2022/09/21	2022/09/20 2022/09/21	National Association of the Chinese Institute of Certified Public Accountants	1. International Tax Reform and Family Wealth Inheritance 2. Carbon Management Trends and Countermeasures towards Net-Zero	
<p>9. Has the company implemented a self-evaluation report <sup>2</sup> on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.</p> <p>The company has formulated a code of practice for corporate governance and implemented it in accordance with the code. In the 2022 Corporate Governance Assessment (assessed by the Securities and Exchange Commission), the company will complete the self-assessment before the end of January 2023. On April 27, 2023, the Securities and Exchange Commission announced a score of 91.27, which ranks first among all listed companies evaluated 21%-35%, an improvement of 2.88 points compared with last year.</p> <p>Strengthening priorities and measures:</p> <ol style="list-style-type: none"> <li>1. Plan video-assisted shareholder meetings.</li> <li>2. Plan to establish a non-statutory functional committee.</li> </ol>							

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. A self-evaluation report is defined as the company assessing its corporate governance evaluation items with appropriate explanations on current corporate operations and implementation.



### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. Composition: The Company has set up a Remuneration Committee and has three members of the Remuneration Committee on December 28, 2011, with the same term as the appointed Board of Directors.

2. Duties: The Committee shall, with the care of good management, faithfully perform the following functions and submit the recommendations to the Board for discussion.

(1) To formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and payroll remuneration.

(2) to regularly assess and determine the remuneration of directors and managers.

#### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Identity (Note 1)	Name	Professional qualifications and experience (Note 2)	Independence situation (Note 3)	Number of members who are concurrently members of the compensation and remuneration committees of other public offering companies
Independent director (convener)	Chen, yueh chin-	Hsin Fu hsing Co., Ltd. independent directors LIGITEK Co., Ltd. Independent Supervisor	Remuneration committee members are all independent directors, please refer to P27-28 for details of independence	1

Independent director	Tu,yi- yang	Li Yang Certified Public Accountants Tianliang Biotechnology Enterprise Co., Ltd. Independent Director Guanghua Technology Co., Ltd. Independent Director	Remuneration committee members are all independent directors, please refer to P27-28 for details of independence	1
Independent director	Ts'ai,lien-shêng (2022.06.30 Resignation)	Secretary General of the All-China Federation of Industry Consultant of the Straits Exchange Foundation Yixin Industrial Co., Ltd. Independent Director Mingwang Technology Co., Ltd. Independent Director Kangshu Technology Co., Ltd. Independent Director	NA	NA

Committee Member	Chiang jung ch'ing (New on 2022.09.30)	Yuan hsuan Construction Co., Ltd. Vice Chairman  Deputy General Manager of Yuanxuan Construction Co., Ltd.	1. No relatives are directors, supervisors or employees of the company or its affiliated companies. 2. In person (or in the name of others), spouse and unaccompanied The children in 2000 hold no shares of the company. 3. Not serving as a director, supervisor or employee of a company that has a specific relationship with the company. 4. There is no remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	0
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Note 1: Please specify in the form the relevant working years, professional qualifications and experience and independence of the members of the Compensation Committee. If they are independent directors, please refer to Appendix 1 on page 00 for directors and supervisors. Information (1) Related content. Please fill in the series as independent directors or others respectively (if it is the convener, please add a note).

Note 2: Professional qualifications and experience: describe the professional qualifications and experience of individual compensation committee members.

Note 3: Condition of independence: state that the members of the Compensation and Remuneration Committee meet the conditions of independence, including but not limited to whether I, my spouse, or relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies; I, spouse, relatives within the second degree of relatives (or in the name of others) hold the number and proportion of the company's shares; whether it is a company that has a specific relationship with the company (refer to the listing of stocks or the establishment and exercise of powers of the company's compensation committee at the business office of a securities firm) The amount of remuneration received by the company or its affiliated companies for providing business, legal, financial, accounting and other services in the last two years.

## B. Attendance of Members at Remuneration Committee Meetings

1. There are 3 members in the Remuneration Committee.

2. In 2022, the Salary and Remuneration Committee held two meetings [A], and the attendance of the members is as follows:

The attendance in 2022 is as follows: (1 meeting from January to June 2022, 1 meeting from July to December 2022)

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Chen, chin-yueh	2	0	100%	
Committee Member	Tu, yi-yang	2	0	100%	
Committee Member	Ts' ai, li en-shêng	1	0	100%	2022.06.30 Resignation
Committee Member	Chiang jung ch' ing	1	0	100%	New on 2022.09.30

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified):  
None. See how it works below.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None. See how it works below

In 2022 and as of the date of publication of the annual report, the operation of the salary and compensation committee:

(1) March 29, 2022 Salary and Remuneration Committee. (the 27th, first time of Board, 2022)

First case: Employee and director compensation distribution in 2021. (Stakeholders are advised to evade when voting on this case)

The result of the resolution: All the members present at the meeting was passed

without any dispute.

The company's business situation: After being approved by the remuneration committee, it was submitted to the board of directors for a resolution, and was approved by the board of directors on March 29, 2022. It is proposed to set aside 3% of the employee's remuneration for NT\$2,484,857. and the director's remuneration 1.5%, totaling NT\$1,242,428, all paid in cash and submitted to the ordinary shareholders' meeting on June 29, 2022. The cash distribution has been completed on September 1, 2022.

Second case : Review the salary remuneration and salary adjustment of directors and managers in 2022, and submit it for discussion. (Stakeholders please avoid when voting on this case)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's business situation: The resolution was approved by the Remuneration Committee and was reviewed and approved by the board of directors on March 29, 2022.

(2) December 27, 2022 Salary and Remuneration Committee. (the 27th, sixth time of Board , 2022)

First case : Directors' and managers' remuneration and execution of year-end performance evaluation .(Stakeholders are advised to evade when voting on this case)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's business situation: After being approved by the Remuneration Committee, it will be submitted to the Board of Directors for resolution, and passed by the Board of Directors on December 27, 2022. Handle the follow-up matters of the year-end performance evaluation according to the results of the resolution.

Second case : The annual work plan for 2023.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's business situation: Perform related tasks in accordance with the predetermined work plan.

(3) March 14, 2023 Salary and Remuneration Committee. (the 27th, first time of Board , 2023)

First case : Employee and director compensation distribution in 2022. (Stakeholders are advised to evade when voting on this case)

The result of the resolution: All the members present at the meeting was

passed without any dispute.

The company's business situation: After the approval of the Remuneration Committee, the resolution of the board of directors was submitted, and the resolution of the board of directors was passed on March 14, 2023. It is proposed to provide 5% of the employee remuneration, which is NT\$3,042,725, and 0% of the director's remuneration, which is NT\$0. The employee remuneration is in cash It will be issued and will be reported at the general meeting of shareholders on June 27, 2023.

Second case : Review the remuneration of directors and managers in 2023 and the remuneration of the new executive deputy general manager and deputy general manager, and submit it for discussion. (Stakeholders please avoid when voting on this case)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's business situation: After being approved by the Remuneration Committee, it will be submitted to the Board of Directors for resolution, and will be approved by the Board of Directors on March 14, 2023.

Council resolution passed. Remuneration matters shall be handled according to the result of the resolution.

**3.4.5 Promoting the implementation of sustainable development and the differences and reasons for the code of practice for sustainable development of listed OTC companies.**

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?	√		<p>The company regards the board of directors as the highest unit to supervise sustainable development, and the sustainable development (ESG) work promotion team composed of the general manager and the administrative department is a full-time sustainable development unit. In addition to formulating the company's sustainable development policy, And regularly review the suitability of the policy and the revision of relevant norms and systems for sustainable development, and report to the board of directors on the implementation of sustainable development last year in May each year (report to the board of directors on the implementation of 2022 on May 10, 2023) . For related operations and the supervision of the board of directors, please refer to the file download at the bottom of the homepage of the sustainable zone on the official website: Promoting sustainable development operations and implementation.</p> <p><a href="http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836">http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836</a></p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	√		<p>The company conducts risk identification on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, then conducts risk assessment, and formulates management strategies and risk countermeasures based on the actual risks that may arise.</p> <p>For detailed risk management strategies, please refer to the company's website: <a href="https://www.kseco.com.tw/tc/about1.aspx?cid=101&amp;cchk=812E398D-DFC2-43B1-8AC0-83184FB23358">https://www.kseco.com.tw/tc/about1.aspx?cid=101&amp;cchk=812E398D-DFC2-43B1-8AC0-83184FB23358</a></p> <p>For management and strategies based on ESG risk assessment, please refer to: <a href="https://www.kseco.com.tw/upload/17/2022030916333250585.pdf">https://www.kseco.com.tw/upload/17/2022030916333250585.pdf</a></p>	None
<p>3.Environmental issues</p> <p>A. Does the company establish an appropriate environmental management system according to its industrial characteristics?</p> <p>B. Is the company</p>	√		<p>A. The company passed the ISO14001 environmental management system verification, and formulated environmental protection measures in accordance with the local environment of the project location, and in accordance with the relevant environmental protection laws and regulations of the owners and government units, and cooperated with the implementation of environmental management systems.</p> <p>B.</p> <p>a. "C811Z Chaozhou Fangliao Section of "Electrification Project Construction</p>	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?	√		<p>Plan of Taitung Chaozhou Section of Taiwan Railway Southern Link Railway":</p> <p>(a) Reuse of old PC pillows The platform length of Fangliao Station No. 0 was extended to meet the needs of Taiwan Railway. In this case, discarded PC pillows were used to replace part of the concrete, which could reduce the construction time and the amount of concrete used.</p> <p>(b) Reuse of old seats The representative of Fangliao Station (Lianwu seats) and the seats of Zhen'an Station and Fangliao Station platforms are reserved in the waiting room and platform to save the cost of replacement.</p> <p>(c) Energy-related energy-saving benefits * Warning lights for construction traffic maintenance at night and fence police in the construction area. The lights are all solar energy storage type, reducing alkaline electricity Pool use, environmental protection, energy saving and carbon reduction benefits. * Night Lighting and Installation of Side Pushing of Beishixi Steel Bridge during Night Construction lighting of tools and tools, all use LED lamps to reduce power consumption. Consumption to achieve the benefits of energy saving and carbon reduction.</p> <p>b. S07, S08 revetment and back line embankment land construction of Taipei Port South Wharf project:</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
C. Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to address climate-related issues?	√		Reuse of 90% recycled materials, concrete practice of circular economy: Through high-quality design techniques, the existing materials in the port area are recycled and reused (blocks, stones, soil and sand), reducing the project cost by about 430 million yuan. C. The company has carried out climate change impacts based on the currently contracted projects. Risk assessment and evaluation of future contracting opportunities  Analyze and formulate management strategies and risk countermeasures to respond. (See The company's website: <a href="http://www.kseco.com.tw/tc/about1.aspx?cid=101&amp;cchk=812E398D-DFC2-43B1-8AC0-83184FB23358">http://www.kseco.com.tw/tc/about1.aspx?cid=101&amp;cchk=812E398D-DFC2-43B1-8AC0-83184FB23358</a> )	None
D. Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas	√		D. Please refer to the company's website - sustainable development - environmental protection area for the company's energy management policies, greenhouse gas reduction, water use reduction, waste management and other information. ( <a href="http://www.kseco.com.tw/tc/responsibility.aspx?cid=29&amp;cchk=0ADDA6B5-8F20-4780-BE4C-67A38E65EBC6">http://www.kseco.com.tw/tc/responsibility.aspx?cid=29&amp;cchk=0ADDA6B5-8F20-4780-BE4C-67A38E65EBC6</a> )	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
reduction, water use reduction or other waste management?				
4. Social issues A. Has the company formulated relevant management policies and procedures in accordance with	√		A. The company formulates personnel management measures in accordance with the Labor Standards Law and formulates human rights policies in accordance with international human rights conventions. Please refer to the company's website. <a href="http://www.kseco.com.tw//tc/responsibility.aspx?cid=104&amp;cchk=5E6B22F6-1">http://www.kseco.com.tw//tc/responsibility.aspx?cid=104&amp;cchk=5E6B22F6-1</a>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
relevant regulations and international human rights conventions?			<a href="#">6F2-4F18-82F2-0049D0F59A55</a>	
B. Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?	√		B. The company established the Employee Welfare Committee in June 1993, and each year sets an annual plan and budget to handle various activities. The company also plans internal and external education and training and adjusts employee salaries according to the annual performance appraisal and company operating conditions and allocates 3% -5% of the surplus for employee dividends. For other related welfare measures, please refer to the "Human Resources Zone-Good Health in Industry Credit" of our website. <a href="http://www.kseco.com.tw//tc/humanResources.aspx?cid=13&amp;cchk=EDA7FCF-1BBE-4AAC-978B-5737C87B3701"> (http://www.kseco.com.tw//tc/humanResources.aspx?cid=13&amp;cchk=EDA7FCF-1BBE-4AAC-978B-5737C87B3701)</a>	None
C. Does the company provide a safe and healthy work environment for employees, and regularly implement safety and health education for	√		C. The company provides a safe, healthy and comfortable working environment. Arrange employee health checks, and hold regular safety and health education and training, so that colleagues are aware of relevant safety and health regulations. The 2022 annual employee health checkup will be undertaken by Boren Hospital, and it will be carried out in various construction sites and the head office in succession since June.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
employees? D. Does the company establish an effective career development training program for employees?	√		D. The company has set up an education and training quality management manual to evaluate employee functions and conduct training so that employees’ career planning can be integrated with the company’s overall benefits grow together. For relevant functional training and succession plans, please refer to the company website: <a href="https://www.kseco.com.tw/tc/humanResources.aspx?cid=12&amp;cchk=9304CF63-133B-4378-B83D-CB735992B21E">https://www.kseco.com.tw/tc/humanResources.aspx?cid=12&amp;cchk=9304CF63-133B-4378-B83D-CB735992B21E</a>	None  None
E. With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection	√		E. For the construction industry, the company is mainly engaged in contracting government public projects. Therefore, it follows the relevant regulations of the government regulations, such as the government procurement law, project warranty operations, and the construction management system and relevant government regulations in production to protect consumers and stakeholders. Rights and interests, and has set up a special area for stakeholders on the company's website as a channel for appeals and liaison.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>policies and appeal procedures?</p> <p>F. Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?</p>	√		<p>The company has the management of suppliers in the internal control system, strictly regulates the suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and sets the environmental and social responsibility statement in the contract.</p>	
<p>5. Does the company refer to the internationally accepted reporting standards or guidelines to prepare reports that disclose non-financial information of the company, such as sustainability reports? Has the previous disclosure report obtained the assurance</p>	√		<p>The company prepares the sustainability report with reference to the internationally accepted reporting standards (GRI Standards), and currently adopts the method of self-assurance.</p>	<p>The confirmation of the third-party verification unit has not yet been obtained.</p>

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
or assurance opinion of the third-party verification unit?				
<p>6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation:</p> <p>The company's corporate social responsibility code of practice was approved by the board of directors on August 12, 2015, and was revised for the third time on December 28, 2021, and the revised name was "Sustainable Development Code of Practice".</p>				
<p>7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices :</p> <p>Please refer to the company's website: sustainable development area and the company's sustainability report for the operation of the company's sustainable development.  <a href="http://www.kseco.com.tw//tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836">http://www.kseco.com.tw//tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836</a></p>				

### 3.4.6 Ethical Corporate Management

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Formulate integrity management policies and plans				
(1) Has the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, as well as the commitment of the board of directors and senior management to actively implement the management policy?	√		(1) The company has established an "integrity management policy", which was approved by the board of directors on November 12, 2019, and expressly stated in the employee handbook, supplier contract documents and the company's website. Please refer to the company's website for the company's integrity management and operation in 2022: <a href="https://www.kseco.com.tw/tc/responsibility.aspx?cid=115&amp;cchk=70AACCD8-FC40-452C-822C-378B234FF98A">https://www.kseco.com.tw/tc/responsibility.aspx?cid=115&amp;cchk=70AACCD8-FC40-452C-822C-378B234FF98A</a>	None
(2) Whether the company has established an assessment mechanism for the risk of	√		(2) The company has formulated the "Guidelines for Operational Procedures and Behaviors of	None



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least covers the "honest management of listed companies "Code" Article 7, paragraph 2 of the prevention measures?</p> <p>(3)Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?</p>	√		<p>Integrity Management" and "Risk Assessment and Preventive Measures for Dishonest Behaviour" to set clear norms and precautionary measures for preventing dishonest acts, the scope of which includes (but not limited to) the behaviors specified in Article 7, Paragraph 2 of the Code of Integrity Management, and establish a risk assessment mechanism for regular analysis and assessment in internal control.</p> <p>(3)On November 12, 2019, the Board of Directors of the Company approved the "Guidelines for Operational Procedures and Behaviors of Integrity Management", which was revised for the first time on March 26, 2020, and was discussed and approved by the Board of</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Directors. There is also a "Reporting Measures for Cases of Illegal and Immoral or Dishonest Behavior", which has a complete disciplinary and appeal system for violations, implements honest management and conducts regular reviews (by the end of March every year).	
<p>2. Implement integrity management</p> <p>(1)Does the company evaluate the honest and credit records of the counterparty and specify the terms of honesty and credit in its long contract with the counterparty?</p>	√		(1)The company's internal control system has strict specifications, establishes a supplier data management model, conducts market surveys and manufacturers' credit investigation in accordance with regulations, and incorporates the company's integrity management policy with the signing of the integrity management clause in the contract.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonest behaviors and supervision and implementation?	√		(2)The company takes the Administration Department as the unit to promote integrity management, and the board of directors reports to the board of directors for the first time each year. The 2022 integrity management and related prevention plans and supervision implementation status have been reported by the board of directors on March 14, 2023. Please refer to the company's website for the relevant implementation status of integrity management: <a href="https://www.kseco.com.tw/tc/responsibility.aspx?cid=115&amp;cchk=70AACCD8-FC40-452C-822C-378B234FF98A">https://www.kseco.com.tw/tc/responsibility.aspx?cid=115&amp;cchk=70AACCD8-FC40-452C-822C-378B234FF98A</a>	None
(3) Does the company formulate a policy to prevent conflicts of interest, provide appropriate	√		(3) The company has provisions for avoiding interests in the code of good faith operation	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
presentation channels, and implement them?			and the rules of procedure for board meetings, and provides appropriate channels for directors, independent directors, managers and other stakeholders who attend or attend the board of directors to actively indicate whether they have potential conflicts of interest with the company . The directors, supervisors, managers and other stakeholders of the company present or attending the board of directors, who are interested in the bills listed by the board of directors and their own or their legal persons, should explain the important content of their interests at the current board of directors If it is harmful to the interests of the company, it shall not join the discussion and voting, and shall be	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(4) Whether the company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit has formulated relevant audit plans based on the results of the assessment of the risk of dishonesty, and checked the compliance with the plan to prevent dishonesty Or entrust an accountant to perform the audit?</p> <p>(5) Does the company regularly conduct internal and external education and training on integrity</p>	√		<p>avoided during the discussion and voting, and shall not act for other directors to exercise their voting rights.</p> <p>(4)The company has established an effective accounting system and internal control system. The audit unit has also formulated a risk assessment of dishonesty in the audit plan to check compliance with the plan to prevent dishonesty.</p> <p>(5) The company regularly organizes (at least once a year) internal and external education and</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
management?	√		training on integrity management. In 2022, in addition to inviting directors to participate in the course organized by the Securities and Foundation, an internal training course on "Insider Trading, Integrity Management Law and Analysis of Court Insights" will be held on November 10, 2022. Directors and managers are invited to participate, 2 hours in total, 13 people. After the meeting, the course materials will be published on the company's intranet EIP. All colleagues are invited to download and watch by themselves, so as to achieve the purpose of education and publicity for all staff.	None
3. The operation of the company's whistleblowing				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>system</p> <p>(1) Does the company formulate a specific reporting and reward system, and establish a convenient reporting channel, and assign appropriate personnel to handle the object of reporting?</p>	√		(1) The company has "Employee Complaint Handling System" and "Handling Methods for Reporting Cases of Illegal and Unethical or Dishonest Conduct", which clearly lists the reporting channels and assigns a special person to be responsible.	None
<p>(2) Has the company set the standard operating procedures for the investigation of the complaint, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?</p>	√		<p>(2) Standard operating procedures for the investigation and prosecution matters related security mechanisms:</p> <ol style="list-style-type: none"> <li>1. On receipt of report telephone or mail, receiving personnel record made, Chen reported immediately processed.</li> <li>2. If an interested party rights are infringed or when there are other opinions, to report the</li> </ol>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide proper whistleblower protection?	✓		<p>matter in writing, the contractor should immediately identify each process, or layer packet processing, and handling the case by return results or prosecutors.</p> <p>3. Prosecutors funded under the provisions of a Personal Data Protection Act, the investigation also absolutely confidential, and may not disclose</p> <p>(3)The company strictly prohibits retaliation for good faith communications or persons who assist in the investigation of any kind.</p>	None
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</p>	✓		The Company MOPS and the company's official website Jie public integrity management Code of Practice for New staff integrity of business-related workshops, business units evaluate suppliers	None



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>assessments on good faith behavior, and Administration and audit chamber to promote part of the integrity management unit, reporting to the Board of Directors.</p> <p>company’s website :  <a href="http://www.kseco.com.tw/tc/regulations.aspx">http://www.kseco.com.tw/tc/regulations.aspx</a>            Operation situation and effectiveness:  <a href="https://www.kseco.com.tw/tc/responsibility.aspx?cid=115&amp;cchk=70AACCD8-FC40-452C-822C-378B234FF98A">https://www.kseco.com.tw/tc/responsibility.aspx?cid=115&amp;cchk=70AACCD8-FC40-452C-822C-378B234FF98A</a></p>	
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.            There have been no differences.</p>				
<p>6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).</p>				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>In the contract between the company and the manufacturer, the main clause is to clearly define the relevant provisions of the principle of integrity, and the manufacturer is welcome to submit comments on the company's integrity management code for review and amendment. The Company formulated the Integrity Management Code on July 4, 2012. The first amendment was adopted on March 27, 2015, and the Board of Directors approved the amendment to the Integrity Management Code (second amendment) on August 13, 2019 The report of the regular shareholders meeting was submitted on 2020.06.17.</p>				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

### **3.4.7 Corporate Governance Guidelines and Regulations**

The company's corporate governance codes of practice have been disclosed in MOPS, and the other related regulations is also disclosed on the company website investor area, at the following address:

<http://www.kseco.com.tw/tc/index.aspx>

### **3.4.8 Other Important Information Regarding Corporate Governance**

In order to improve the implementation of corporate governance operations, the company has successively reviewed and cooperated with the competent authorities, and formulated relevant procedures and internal operating procedures as necessary. If there are "Code of Practice on Corporate Governance", "Procedures for Board of Directors", "Procedures for the Acquisition or Disposal of Assets", "Procedures for Dealing with Derivatives", "Procedures for Shareholders' Meetings", "Measures for Election of Directors and Supervisors", "Derivatives Trading Operations", "Budget Management Measures", "Subsidiary Management Measures", "Insider Transaction Prevention Management System", "Public Information Reporting Control Operations", and review and revise the "Corporate Governance Self-Assessment Report" every year. Among them, "Insider Transaction Prevention Management System" and "Public Information Reporting Control Operation" are the relevant procedures for major information processing operations. All relevant departments and colleagues shall abide by relevant procedures and laws and regulations when handling major information and disclosure.

The company's internal control system is placed in the company's EIP online system for colleagues to refer to or download personal documents to perform operations, and immediately notify colleagues, managers and directors when revisions and additions are made.

### **3.4.9 Internal Control Systems**

#### **A. Internal Control Statement:**

Kung Sing Engineering Corporation  
Internal Control Statement

Date: March 14, 2023

The company's internal control system for 2022, based on the results of its own assessment, would like to state the following:

- I. The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the board of directors and managers of the Company. The Company has established this system. The purpose

is to provide reasonable results in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reporting reliability, timeliness, transparency, compliance with relevant regulations and compliance with relevant laws and regulations. Ensure.

- II. The internal control system has its inherent limitations. Regardless of how well the design is perfected, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives. Moreover, due to changes in the environment and conditions, the effectiveness of the internal control system may change. However, the company's internal control system has a self-monitoring mechanism. Once the identification is missing, the company takes corrective action.
- III. The company judges whether the design and implementation of the internal control system is effective based on the judgment of the effectiveness of the internal control system as stipulated in the "Guidelines for the Establishment of Internal Control Systems for Public Offering Companies" (hereinafter referred to as "Processing Guidelines"). The internal control system judgment project used in the "processing criteria" is based on the process of management control, and the internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervised operations. Each component also includes several items. Please refer to the "Handling Guidelines" for the above items.
- IV. The Company has adopted the above internal control system to judge the project and evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the results of the previous assessment, the Company believes that the internal control system (including the supervision and management of subsidiaries) of the Company on December 31, 2020, including the understanding of the effectiveness and efficiency objectives of the operation, and the reporting are reliable. The design and implementation of the internal control system, such as timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective and can reasonably ensure the achievement of the above objectives.
- VI. This statement will become the main content of the company's annual report and public statement, and will be made public. If the content of the above disclosure is illegal or concealed, it will involve legal liabilities such as Articles 20, 32, 171 and 174 of the Securities Exchange Law.
- VII. This statement was approved by the board of directors of the Company on March 14, 2023. Among the 6 directors, 0 were dissent, and the rest agreed to the

contents of this statement.

Kung Sing Engineering Corporation  
Chairman: Chen ,huang-ming  
General Manager: Chiang,chi-ching

B. Entrusted accountant project to review the internal control system, should disclose the accountant review report: None.

**3.4.10 In the most recent year and as of the publication date of the annual report, the company and its internal personnel have been punished in accordance with the law, or the company has imposed penalties on its internal personnel for violations of the internal control system, and the results of the penalties may have a significant impact on shareholders' rights and securities prices, it should be specified Punishment content, main deficiencies and improvement situation: None.**

#### **3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings**

A. Important resolutions and implementation of the shareholders' meeting:

The 2022 Annual Shareholders' Meeting of the Company was held on June 29, 2022.

The matters and implementation of the shareholders' resolutions were as follows:

a. 2021 annual business report and financial report.

Implementation: It is submitted to the shareholders' meeting for recognition and resolution.

b. 2021 annual profit distribution case.

Implementation : Submit to the shareholders meeting for approval and resolution.

Due to the consideration of too little surplus this year, the shareholders meeting approved not to distribute shareholder dividends.

c. Amendments to some articles of the company's "Procedures for Acquisition or Disposal of Assets"

Implementation: Submit to shareholders' meeting for discussion and resolution.

Amendments to this procedure shall be implemented after approval by the shareholders' meeting.

d. Revise some articles of the company's "Articles of Association".

Implementation status: Submit to shareholders' meeting for discussion and resolution. The revision of the Articles of Association will be implemented after the approval of the shareholders' meeting, and the modification registration will be completed by the Ministry of Economic Affairs on July 27, 2022.

e. Revise some texts of the company's "Rules of Procedure for Shareholders'

Meetings".

Implementation: Submit to shareholders' meeting for discussion and resolution. Amendments to these rules shall come into force after the shareholders' meeting approves them.

B. Important resolutions of the board of directors:

The summary of the important resolutions of the board of directors of the company for 2022 and as of the printing date of the annual report is as follows: (Proposals belonging to 14-3 of the Securities and Exchange Act are indicated after each resolution.)

a. Board of Directors, March 29, 2022 (the 27th, first time of Board , 2022)

First case : The 2021 annual business report and financial report approval proposal is submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Second case : The company issued the "Declaration of Internal Control System" for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Third case : Amend some of the provisions of the Company's "Procedures for the Acquisition or Disposal of Assets" for discussion. (Securities and Exchange Act 14-3)

Content: Amendments are made in accordance with the Financial Supervision and Administration Commission's Letter No. 1110380465 dated January 28, 2022. It is proposed to be discussed at the 2022 ordinary shareholders' meeting, and will be implemented after it is passed at the ordinary shareholders' meeting.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fourth case : Revised some of the provisions of the "Financial Statement Preparation Process Management System" of the Company's internal control system, for discussion. (Securities and Exchange Act 14-3)

Content: In accordance with the Taiwan Stock Exchange on November 2, 2021, Taiwan Securities Letter No. 1101805955, adjustments and revisions in line with current operating procedures.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fifth case : Amend some provisions of the Company's "Code of Practice on Corporate Governance" for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Sixth case : The 2021 annual employee and director remuneration distribution proposal is submitted for discussion. (Securities and Exchange Act 14-3)

Contents: It is proposed to set aside 3% of employee remuneration at NT\$2,484,857, and 1.5% of director's remuneration at NT\$1,242,428.

Resolution: During the voting of this case, the interested parties shall abstain, and other directors shall vote. After consultation with the chairman. The directors who attended the meeting passed without objection.

Seventh case : Review the remuneration and salary adjustment of directors and managers in 2022, and submit it for discussion. (Securities and Exchange Act 14-3)

Content: Regularly review the policies, systems, standards and structures of remuneration for directors and managers, and pass the current remuneration items and salary adjustments for directors (including independent directors) and managers of the company.

Resolution: During the voting of this case, the interested parties shall abstain, and other directors shall vote. After consultation by the chairman of all the directors present, it was approved without objection.

Eighth case : Matters related to the company's 2022 general meeting of shareholders are held for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

ninth case : The Company's bank guarantee limit and comprehensive working capital limit extension and ratification proposal are submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

tenth case : The company regularly evaluates the independence of the certified accountants and submits them for approval.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

b. Board of Directors, May 11, 2022 (the 27th, second time of Board , 2022)

First case : The 2021 surplus distribution proposal is submitted for deliberation.

Content: The undistributed surplus at the beginning of the period is NT\$214,000,032, plus the 2021 after-tax surplus NT\$35,180,166 yuan, minus NT\$4,311,325 for other comprehensive gains and losses in 2021, deducting 10% of the statutory surplus reserve of NT\$3,086,884, and the distributable surplus for the current period is NT\$241,781,989. Considering that the surplus is too small, it

is proposed not to distribute dividends to shareholders. And the proposal will be approved by the general meeting of shareholders on June 29, 2022.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Second case : Amend some provisions of the Company's "Articles of Association" for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Third case : Amend some of the provisions of the Company's "Rules of Procedures for Shareholders' Meeting" for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fourth case : The proposal for the extension of the bank guarantee limit and comprehensive working capital limit of the Company is proposed for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fifth case : Amend the agenda of the company's 2022 ordinary shareholders' meeting and submit it for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

c. Board of Directors, August 11, 2022 (the 27th, Third time of Board , 2022)

First case : The financial report for the second quarter of 2022 is submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Second case : Formulate the company's "internal material information processing procedures" and submit them for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Third case : The company's bank guarantee line and working capital comprehensive line extension case and ratification are submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

d. Board of Directors, September 30, 2022 (the 27th, fourth time of Board , 2022)

First case : A supplementary appointment of one member of the Remuneration Committee shall be submitted for appointment.

Resolution: After the chairman consulted all the attending directors, it was decided to appoint Mr. Chiang jung ch'ing as a member of the fifth remuneration.



e. Board of Directors, November 10, 2022 (the 27th, fifth time of Board , 2022)

First case : Financial report for the third quarter of 2022, submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Second case : Formulate the company's internal control system "Treasury Stock Transfer Management System" and revise the "Management System for Board Meeting Operations", "Financial Management System", and "Internal Audit System" and submit them for discussion. (Securities Act 14-3)

Content: In accordance with Article 28-2, Item 1 of the Securities and Exchange Act and the "Measures for the Repurchase of the Company's Shares by Listed OTC Companies" issued by the Financial Supervisory Commission, the Company's "Treasury Share Transfer Management System" was formulated.

According to Taiwan Stock Exchange Co., Ltd.'s August 8, 2022 Taizheng Shangyizi No. 1110015595 letter, December 7, 2021 Taizheng Zhizi No. 11000248681 letter and "Public Issuance Companies Establishing Internal Control System Handling Guidelines" Amended the company's "management system for the operation of the board of directors", "financial management system" and "internal audit system" part of the operating provisions.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Third case : Revise some texts of the company's "Rules of Procedure for the Board of Directors" and submit them for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fourth case : Formulate the company's "Risk Management Code of Practice" and submit it for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fifth case : The company's bank guarantee line and revolving fund comprehensive line extension case is submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

f. Board of Directors, December 27, 2022 (the 27th, Sixth time of Board , 2022)

First case : The company's "2022 annual business plan" is for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Second case : The company's "2022 Audit Plan" is for discussion.

Resolution: After consultation by the chairman, all directors present passed the

resolution without objection.

Third case : Revise the company's "Corporate Governance Code of Practice" and submit it for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fourth case : Revise the company's "Internal Material Information Processing Procedures" and submit it for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fifth case : Director and manager compensation and implementation of year-end performance evaluation are submitted for discussion. (Securities Act 14-3)

Content: The performance evaluation of directors and functional committees is carried out in accordance with the Company's "Measures for Performance Evaluation of the Board of Directors and Functional Committees" and relevant regulations. The year-end performance evaluation of managers shall be carried out in accordance with the "Implementation Rules for Employee Performance Appraisal in 2022".

Resolution: During the voting of this case, the interested parties shall abstain, and other directors shall vote. The case was passed without objection by all the directors present.

g. Board of Directors, March 14, 2023 (the 27th, first time of Board , 2023)

First case : The 2022 annual business report and financial report approval proposal is submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Second case : The company issued the "Declaration of Internal Control System" for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Third case : Revise some texts of the company's "Code of Practice on Corporate Governance" and submit it for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fourth case : The 2022 employee and director remuneration distribution plan is submitted for discussion. (Securities Act 14-3)

Content: It is proposed to provide 5% of employee remuneration at NT\$3,042,725, and 0% of directors' remuneration at NT\$0.

Resolution: When voting on this case, the interested party abstained, and other

directors voted. The case was passed without objection by all directors present.

Fifth case : Review the remuneration of directors and managers in 2023 and the remuneration of the new executive deputy general manager and deputy general manager for discussion. (Securities Act 14-3)

Content: Regularly review the policy, system, standard and structure of the remuneration of directors and managers, and approve the current remuneration items of the company's directors (including independent directors) and managers.

Resolution: When voting on this case, the interested party abstained, and other directors voted. The case was passed without objection by all directors present.

Sixth case : Please discuss the by-election of an independent director.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Seventh case : Accept the nomination period and location of the company's independent director candidates and submit them for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Eighth case : Matters related to the company's 2023 general meeting of shareholders are held for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

ninth case : The Company's bank guarantee limit and comprehensive working capital limit extension and ratification proposal are submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

tenth case : The company regularly evaluates the independence and suitability of certified accountants, and submits them for approval

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Eleventh case : It is proposed to pre-approve the non-assurance services (non-assurance services) provided by the certified accountant, its firm and its affiliated enterprises and alliance firms to the company and its subsidiaries, and submit for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

h. Board of Directors, May 10, 2023 (the 27th, second time of Board , 2023)

First case : The financial report for the second quarter of 2023 is submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the

resolution without objection.

Second case : The 2022 earnings distribution proposal is submitted for consideration.

Content: The undistributed surplus at the beginning of the current period is NT\$241,781,989, plus the after-tax surplus for 2022 NT\$ 10,761,967, plus NT\$ 4,620,694 for other comprehensive gains and losses in 2022, deducting 10% of the statutory surplus reserve of NT\$ 1,538,266, the distributable surplus for the current period is NT\$255,626,384 yuan, considering that the surplus is too small, it is proposed not to distribute dividends to shareholders.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Third case : Revise some texts of the company's "Rules of Procedure for Shareholders' Meetings" and submit them for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Fourth case : Examine the qualifications of independent director candidates and submit for discussion.

Resolution: After consultation by the chairman, all directors present in court passed without objection. (Chiang jung ch'ing, a candidate nominated by 1% stockholders, entered the list of candidates)

Fifth case : The case for lifting the restrictions on non-competition for newly appointed independent directors is submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Sixth case : The company's bank guarantee line and working capital comprehensive line application and extension case are submitted for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

Seventh case : Amend the company's 2023 shareholders' regular meeting agenda and submit it for discussion.

Resolution: After consultation by the chairman, all directors present passed the resolution without objection.

C. The results of the major resolutions of the Audit Committee and the handling of the situation:

a. Audit Committee, March 29, 2022 (the 27th, first time of Board , 2022)

First case : 2021 annual business report and financial report. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed

without any dispute.

The company's handling situation: the proposal of the board of directors, the board of directors of all attendance was passed without any dispute, and the proposal shareholders often passed.

Second case : The company issued the "Internal Control System Statement".

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors, without any dispute, uploading a public information observatory report.

Third case : Amend some of the provisions of the Company's "Procedures for the Acquisition or Disposal of Assets" for discussion.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The board of directors of the proposal is approved by all the directors present without objection. The proposal is discussed at the regular shareholders' meeting, and implemented after the approval, and the public information observatory report is uploaded.

Fourth case : Revised some of the provisions of the "Financial Statement Preparation Process Management System" of the Company's internal control system, for discussion.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: the proposal of the board of directors was approved by all the directors present without objection.

Fifth case : The company regularly assesses the independence of visa accountants.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors. In line with independence, continue to appoint.

b. Audit Committee, May 11, 2022(the 26th, second time of Board , 2022)

First case : Consolidated financial report for the first quarter of 2022.

Resolution result: After the chairman consulted all the members present, it was passed without objection.

The company's handling situation: The report was submitted to the board of directors, and it was approved by all directors present without objection, and the first quarter financial report was reported to the public information observation

station after the meeting.

Second case : The 2021 surplus distribution case.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: Considering that the surplus is too small, the board of directors approved not to distribute dividends to shareholders, and submitted the proposal to the regular shareholders' meeting for approval.

c. Audit Committee, August 11, 2022(the 27th, third time of Board , 2022)

First case : The financial report for the second quarter of 2022 is submitted for consideration. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: the proposal to the board of directors was approved by all the directors present without objection, and reported to the public information observatory.

Second case : Established the company's "Internal Material Information Processing Procedures".

The result of the resolution: All the members present at the meeting was passed without any dispute.

Handling situation of the company: Proposal to the board of directors, approved by all present directors without objection and implemented.

d. Audit Committee, November 10, 2022(the 27th, fifth time of Board , 2022)

First case : The financial report for the third quarter of 2022 is submitted for consideration.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: the proposal to the board of directors was approved by all the directors present without objection, and reported to the public information observatory.

Second case : Formulate the company's internal control system "Treasury Stock Transfer Management System" and revise some operating provisions of the "Board of Directors Operation Management System", "Financial Management System", and "Internal Audit System". (Securities Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

Handling situation of the company: Proposal to the board of directors, approved by all present directors without objection and implemented.

e. Audit Committee, December 27, 2022(the 27th, sixth time of Board , 2022)

First case : Revise the company's "internal material information processing procedures".

The result of the resolution: All the members present at the meeting was passed without any dispute.

Handling situation of the company: Proposal to the board of directors, approved by all present directors without objection and implemented.

f. Audit Committee, March 14, 2023 (the 27th, first time of Board , 2023)

First case : 2022 annual business report and financial report. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: the proposal of the board of directors, the board of directors of all attendance was passed without any dispute, and the proposal shareholders often passed.

Second case : The company issued the "Internal Control System Statement".

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors, without any dispute, uploading a public information observatory report.

Third case : The company regularly evaluates the independence and suitability of certified accountants and submits them for approval.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: It was submitted to the board of directors and approved by the directors present without objection. Continuing to appoint if independence and eligibility are met.

Fourth case : It is proposed to pre-approve the non-assurance services (non-assurance services) provided by the certified accountant, its firm and its affiliated enterprises and alliance firms to the company and its subsidiaries, and submit for discussion.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: the proposal of the board of directors was approved by all the directors present without objection.

g. Audit Committee, May 10, 2023(the 27th, second time of Board , 2023)

First case : Consolidated financial report for the first quarter of 2023.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The report was submitted to the board of directors, and it was approved by all directors present without objection, and the first quarter financial report was reported to the public information observation station after the meeting.

Second case : The 2022 surplus distribution case.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: Considering that the surplus is too small, the board of directors approved not to distribute dividends to shareholders, and submitted the proposal to the regular shareholders' meeting for approval.

### **3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors**

None

### **3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Supervisor and R&D**

None

## **3.5 Information Regarding the Company's Audit Fee and Independence**

### **3.5.1 The amount of public audit fees and non-audit public fees paid to the certified public accountants, their affiliated firms and related enterprises, and the content of non-audit services should be disclosed**

#### **Visa Accountant Public Expenses Information**

Unit: NT\$ thousands

<b>Accounting firm name</b>	<b>Accountant name</b>	<b>Accountant audit period</b>	<b>Audit public expenses</b>	<b>Non-audit public fees</b>	<b>total</b>	<b>Remark</b>
PWC Accounting Firm	Lin, Se-kai	2022.1.1~2022.12.31	3,640	660	4,300	Note
	Wen, Ya-Fang	2022.1.1~2022.12.31				

Note : The company's 2022 audit fee is NT\$3,640,000 (including the company's financial report and consolidated financial report issued by the subsidiary's audit fee and audit travel expenses), and the non-audit fee is NT\$660,000, which is the 2022 profit-seeking enterprise income tax inspection visa and media filing.

When this part was revealed at the Public Information Observatory, the tax declaration and visa fee of



NT\$660,000 was included in the audit public expenses.

**3.5.2 If the accounting firm is changed and the audit fee in the year of change is lower than the audit fee in the year before the change, the amount of the audit fee before and after the change and the reasons shall be disclosed:**

None

**3.5.3 If the public audit fee is reduced by more than 10% compared with the previous time, the amount, proportion and reason for the reduction of the public audit fee shall be disclosed:**

This year's public audit fee is NT\$3,640,000, a decrease of NT\$560,000 or about 13.33% compared with NT\$4,200,000 in the previous year. This is mainly due to the inconsistency between the two phases of classification. If it is changed to non-audit public expenses, there is little difference in the total amount.

**3.6 Change accountant information: None**

**3.7 The company's chairman, general manager, manager of financial or accounting affairs, who has worked in a visa accountant's office or its related business in the past year, should disclose his or her name, title and employment in the office of the visa accountant. Or the period of its relationship with the company.**

None

### 3.8 Changes in Shareholding of Directors, Supervisors, Managers and Major

#### Shareholders

Unit: Shares

Title	Name	2022		As of April 29, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman of the board	Ch'uan Fu Investment Co. Ltd.	0	0	0	0
Director Representative	Chen ,huang-ming	0	0	0	0
Director Representative	Chiang,chi-ching	0	0	0	0
Director	Ju hsiang Investment Co., Ltd	0	0	0	0
Director Representative	Li, shu-hsü	0	0	0	0
Director Representative	Pan, kuan-ju	0	0	0	0
Independent Directors	Tu,yi- yang	0	0	0	0
Independent Directors	Chen, chin- yueh	0	0	0	0
Independent Directors (2022.06.30 Resignation)	Ts'ai,lien-shêng	0	0	NA	NA
General manager	Chiang,chi-ching	0	0	0	0
Executive Deputy General Manager( New appointment on February 10, 2023)	Chan ming-t'ang	NA	NA	0	0
Vice- General Manager	Liu, Yung-ching	0	0	0	0
Vice- General Manager( New appointment on February 10, 2023)	Ting ch'êng-chih	NA	NA	0	0
Financial Officer	Huang, li-wang	0	0	0	0
Accounting Supervisor	Wen, Shu Chiao	0	0	0	0
Corporate Governance Supervisor	Li, kuei- chung	0	0	0	0

#### 3.8.1 Shares Trading with Related Parties

None

#### 3.8.2 Shares Pledge with Related Parties

None

### 3.9 Relationship among the Top Ten Shareholders

As of 4/29/2023

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Pan, chun- jung	40,220,062	8.17	24,883,076	5.05	0	0	Li, kuei- mei	spouse	
							Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Father and daughter	
							Honghui Development and Construction Co., Ltd. person in charge : Pan, kuan-ju	Father and son	
							Hung yi Investment Co. Ltd person in charge : Pan chi ru	Father and daughter	
							Pan, kuan-ju	Father and son	
Pan, kuan-ju	27,099,963	5.50	0	0	0	0	Pan, chun- jung	Father and son	
							Li, kuei- mei	Mother and son	
							Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Sister and brother	
							Hung yi Investment Co. Ltd person in charge : Pan chi ru	Sister and brother	
Li, kuei- mei	24,883,076	5.05	40,220,062	8.17	0	0	Pan, chun- jung	spouse	
							Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Mother and daughter	
							Honghui Development and Construction Co., Ltd. person in charge : Pan, kuan-ju	Mother and son	
							Hung yi Investment Co. Ltd person in charge : Pan chi ru	Mother and daughter	
							Pan, kuan-ju	Mother and son	
Honghui Development and Construction Co., Ltd. person in charge : Pan,	20,883,500	4.24	0	0	0	0	None	None	
	0	0.00	0	0	0	0	Pan, chun- jung	Father and daughter	
							Li, kuei- mei	Mother	

kuan-ju									and daughter	
								Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Sister	
								Hung yi Investment Co. Ltd person in charge : Pan chi ru	Sister	
Ch'uan Fu Investment Co. Ltd	13,321,163	2.71	0	0	0	0	0	None	None	
person in charge : Pan, ying- hsun	0	0	0	0	0	0	0	Pan, chun- jung	Father and daughter	
								Li, kuei- mei	Mother and daughter	
								Honghui Development and Construction Co., Ltd. person in charge : Pan, kuan-ju	Sister and brother	
								Hung yi Investment Co. Ltd person in charge : Pan chi ru	Sister	
								Pan, kuan-ju	Sister and brother	
wang feng jen	8,034,700	1.63	0	0	0	0	0	None	None	
Hung yi Investment Co. Ltd	7,519,847	1.53	0	0	0	0	0	None	None	
person in charge : Pan chi ru								Pan, chun- jung	Father and daughter	
								Li, kuei- mei	Mother and daughter	
	5,968	0.00	0	0	0	0	0	Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Sister	
								Honghui Development and Construction Co., Ltd. person in charge : Pan, kuan-ju	Sister and brother	
								Pan, kuan-ju	Sister and brother	
Ju hsiang Investment Co., Ltd	5,507,594	1.12	0	0	0	0	0	None	None	
person in charge : Li, kuei- mei	24,883,076	5.05	40,220,062	8.17	0	0	0	Pan, chun- jung	spouse	
								Hung yi Investment Co. Ltd person in charge : Pan chi ru	Mother and daughter	
								Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Mother and daughter	
								Honghui Development and Construction Co.,	Mother and son	

							Ltd. person in charge : Pan, kuan-ju		
							Pan, kuan-ju	Mother and son	
Hing hwa enterprise co., ltd.	5,030,000	1.02	0	0	0	0	None	None	
Ch'ên tsung ch'êng	4,712,000	0.96	0	0	0	0	None	None	

### 3.10 Ownership of Shares in Affiliated Enterprises

2022/12/31 Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Chan Pang Industrial Co., Ltd. .	59,000	100%	0	0	59,000	100%
Kung Sing International Holding Company Limited	70,000	100%	0	0	70,000	100%

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. Issued Shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1947.02	10	1,600,000	16,000,000	1,600,000	16,000,000	Original set-up	None	
1987.09	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash capital increase	None	
1991.07	10	19,800,000	198,000,000	19,800,000	198,000,000	Cash capital increase	None	
1993.09	10	120,000,000	1,200,000,000	80,000,000	800,000,000	Cash capital increase	None	Note 1
1995.11	10	120,000,000	1,200,000,000	84,000,000	840,000,000	Capital increase via earnings	None	Note 2
1996.12	10	120,000,000	1,200,000,000	89,040,000	890,400,000	Capital increase via earnings	None	Note 3
1997.07	18	180,000,000	1,800,000,000	140,000,000	1,400,000,000	Cash capital increase and capital increase via earnings	None	Note 4
1998.07	10	180,000,000	1,800,000,000	147,000,000	1,470,000,000	Capital increase via earnings	None	Note 5
1999.07	10	180,000,000	1,800,000,000	154,350,000	1,543,500,000	Capital increase via earnings	None	Note 6
2000.09	10	180,000,000	1,800,000,000	162,067,500	1,620,675,000	Capital increase via earnings	None	Note 7

2004.09	13.2	205,000,000	2,050,000,000	187,067,500	1,870,675,000	Cash capital increase	None	Note 8
2005.09	10	250,000,000	2,500,000,000	216,663,076	2,166,630,760	Capital increase via earnings, employee bonuses, capital surplus	None	Note 9
2006.09	10	250,000,000	2,500,000,000	227,321,230	2,273,212,300	Capital surplus transferred to common stock	None	Note 10
2007.09	10	350,000,000	3,500,000,000	274,018,814	2,740,188,140	Capital increase via earnings, employee bonuses, capital surplus	None	Note 11
2007.09	15	350,000,000	3,500,000,000	324,018,814	3,240,188,140	Cash capital increase	None	Note 12
2008.09	10	350,000,000	3,500,000,000	347,527,413	3,475,274,130	Capital increase via earnings, employee bonuses, capital surplus	None	Note 13
2019.09	10	600,000,000	6,000,000,000	447,527,413	4,475,274,130	Cash capital increase	None	Note 14
2021.10	10	600,000,000	6,000,000,000	492,280,155	4,922,801,550	Surplus capital increase	None	Note 15

Note 1: Approved by (82) TaiTsaiCheng(1)30906, Securites and Futures Bureau, Financial Supervisory Commission, August 7<sup>th</sup> 1993.

Note 2: Approved by (84) TaiTsaiCheng(1)39282, Securites and Futures Bureau, Financial Supervisory Commission, July 3<sup>rd</sup>, 1995.

Note 3: Approved by (85) TaiTsaiCheng(1)41856, Securites and Futures Bureau, Financial Supervisory Commission, July 13<sup>th</sup>, 1996.

Note 4: Approved by (86) TaiTsaiCheng(1)49306, Securites and Futures Bureau, Financial Supervisory Commission, June 26<sup>th</sup>, 1997; (86) TaiTsaiCheng(1)58455, Securites and Futures Bureau, Financial Supervisory Commission, July 22<sup>nd</sup>, 1997.

Note 5: Approved by (87) TaiTsaiCheng(1)59553, Securites and Futures Bureau, Financial Supervisory Commission, July 13<sup>th</sup>, 1998.

Note 6: Approved by (88) TaiTsaiCheng(1)63392, Securites and Futures Bureau, Financial Supervisory Commission, July 9<sup>th</sup>, 1999.

Note 7: Approved by (89) TaiTsaiCheng(1)61307, Securites and Futures Bureau, Financial Supervisory Commission, July 15<sup>th</sup>, 2000.

Note 8: Approved by TaiTsaiCheng1Tze0930125632, Securites and Futures Bureau, Financial Supervisory Commission, June 16<sup>th</sup>, 2004.

Note 9: Approved by TaiTsaiCheng1Tze0940124898, Securites and Futures Bureau, Financial Supervisory Commission, June 22<sup>nd</sup>, 2005.

Note 10: Approved by TaiTsaiCheng1Tze0950132742, Securites and Futures Bureau, Financial Supervisory Commission, July 26<sup>th</sup>, 2006.

Note 11: Approved by TaiTsaiCheng1Tze0960031153, Securites and Futures Bureau, Financial Supervisory Commission, June 21<sup>st</sup>, 2007.

Note 12: Approved by TaiTsaiCheng1Tze0960030934, Securites and Futures Bureau, Financial Supervisory Commission, June 26<sup>th</sup>, 2007.

Note 13: Approved by TaiTsaiCheng1Tze0970033529, Securites and Futures Bureau, Financial Supervisory Commission, July 4<sup>th</sup>, 2008.

Note 14: Approved by TaiTsaiCheng1Tze1080326773, Securites and Futures Bureau, Financial Supervisory Commission, September 9<sup>th</sup>, 2019.

Note 15: Jing Shun Shang Zi No. 11001180390 on October 13, 2021.

## B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	492,280,155	-	107,719,845	600,000,000

## C. Information for Shelf Registration

None

#### 4.1.2 Status of Shareholders

As of 04/29/2023

Item	Government Agencies	Domestic corporate legal person	Investment by other corporate bodies in the country	Qiaowai Securities Investment Trust Fund Investment	Overseas natural person	Foreigners holding ROC ID cards	National natural person	Total
Number of Shareholders	4	268	1	47	41	1	50,854	51,216
Shareholding (shares)	1,647,448	65,055,949	1,719	19,963,448	778,772	1,100	404,831,719	492,280,155
Percentage	0.33%	13.22%	0.00%	4.06%	0.16%	0.00%	82.23%	100%

#### 4.1.3 Shareholding Distribution Status

##### A. Common Shares

As of 4/29/2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	31,689	2,331,248	0.47
1,000 ~ 5,000	11,406	25,010,286	5.08
5,001 ~ 10,000	3,134	22,357,029	4.54
10,001 ~ 15,000	1,720	20,644,966	4.19
15,001 ~ 20,000	668	11,824,886	2.40
20,001 ~ 30,000	919	22,461,019	4.56
30,001 ~ 40,000	423	14,675,873	2.98
40,001 ~ 50,000	264	12,178,296	2.47
50,001 ~ 100,000	535	37,803,300	7.68
100,001 ~ 200,000	256	35,772,460	7.27
200,001 ~ 400,000	113	31,620,040	6.42
400,001 ~ 600,000	22	11,271,640	2.29
600,001 ~ 800,000	20	13,360,398	2.71
800,001 ~ 1,000,000	9	8,764,352	1.78
1,000,001 or over	38	222,204,362	45.16
Total	51,216	492,280,155	100.00%

## B. Preferred Shares

The company did not issue Preferred Shares.

### 4.1.4 List of Major Shareholders

As of 04/29/2023

Shareholder's Name	Shareholding	
	Shares	Percentage
Pan, chun- jung	40,220,062	8.17
Pan, kuan-ju	27,099,963	5.50
Li, kuei- mei	24,883,076	5.05
Honghui Development and Construction Co., Ltd.	20,883,500	4.24
Ch'uan Fu Investment Co. Ltd	13,321,163	2.71
wang feng jen	8,034,700	1.63
Hung yi Investment Co. Ltd	7,519,847	1.53
Ju hsiang Investment Co., Ltd	5,507,594	1.12
Hing hwa enterprise co., ltd.	5,030,000	1.02
Ch'ên tsung ch'êng	4,712,000	0.96



#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2021	2022	01/01/2023-03/31 /2023(Note 8)
<b>Market Price per Share(Note 1)</b>			
Highest Market Price	12.10	8.58	7.59
Lowest Market Price	8.27	6.20	6.62
Average Market Price	9.60	7.32	6.92
<b>Net Worth per Share(Note 2)</b>			
Before Distribution	10.73	10.73	10.59
After Distribution	10.73	(Note 9)	-
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	492,280,155	492,280,155	492,280,155
Diluted Earnings Per Share(Note 3)	0.07	0.02	(0.17)
<b>Dividends per Share</b>			
Cash Dividends	0	(Note 9)	-
Stock Dividends			
• Dividends from Retained Earnings	0	(Note 9)	NA
• Dividends from Capital Surplus	0	(Note 9)	NA
Accumulated Undistributed Dividends(Note 4)	-	-	NA
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 5)	137.14	366	NA
Price / Dividend Ratio (Note 6)	0	-	NA
Cash Dividend Yield Rate (Note 7)	0	-	NA

\*If there is a surplus or capital reserve to increase the capital allotment, the market price and cash dividend information adjusted retrospectively based on the number of shares to be issued should be disclosed.

Note 1: The highest and lowest market prices of common stocks for each year are listed, and the average market price for each year is calculated based on the annual transaction value and volume.

Note 2: Please refer to the number of shares that have been issued at the end of the year and the allocation according to the resolution of the shareholders meeting of the next year.

Note 3: If there is a retrospective adjustment due to circumstances such as free placement of shares, the pre-adjustment and adjusted earnings per share should be presented.

Note 4: If there are provisions for the issuance of equity securities that are not issued in the current year and are distributed to the year of surplus, the accumulated unpaid dividends for the year ended.

Note 5: P/E ratio = average closing price per share / earnings per share for the year.

Note 6: The present ratio = average closing price per share / cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 8: The net value per share and earnings per share should be filled in with the information of the account audited (audited) by the accountant in the most recent quarter of the annual report. The remaining fields should be filled in the year of the year as of the date of publication of the annual report.

Note 9: The surplus distribution has not been approved by the shareholders' meeting

#### **4.1.6 Dividend Policy and Implementation Status**

##### **A. Dividend Policy**

Dividend policy: According to the Corporate charter and related laws and regulations, earnings in the final accounts, should it exist, should be used to pay tax and duties, with the remainder being used to cover loss of previous year first, If there is still surplus, 10% of the amount should be appropriated for legal reserves and special legal reserves according to the law, and in accordance with Article 41 in Securities and Exchange Act, the remainder after transferred into the capital surplus could be allocated in accordance with the Corporate charter and the Board's resolution. The dividend policy is based on the industry environment the company is located at and its financial planning, and considerations for the company's sustainable management and stable development, as well as the maximum protection of the interests of shareholders, thus the policy is as follows:

1. Condition and timing of the dividend payout:

The company is currently in the growth stage, in a number of major public works projects are being carried out, the demand for capital for ardent. To support the required business growth, the company paid dividends to meet the future operation and development of the principle of sound financial structure and comprehensive consideration, after maintaining a stable dividend and protection of shareholders' reasonable remuneration and other conditions, and then the board of directors will begin to stimulate the distribution of earnings, and through approvals from the general shareholders' meeting and authorities, the dividend payout will take place accordingly.

2. Payout ratios of cash dividend and stock dividend

Earnings in the final accounts, should it exist, should be used to pay tax and duties, with the remainder being used to cover loss of previous year first, and then 10% of the amount should be appropriated for legal surplus reserve, and if there is still surplus, after the board's discussion, resolution will take place during the general shareholders' meeting, and there are two ways of dividend payout, which are stock dividend and cash dividend, the ratio of cash dividend cannot be lower than 10% of the total dividend for shareholders.

To sum up, the dividend policy for this year is as follows: due to the fact that the surplus is too small and there are many major public projects in progress, there is a strong demand for funds, so it is proposed not to distribute cash dividends and stock dividends.

##### **B. Proposed Distribution of Dividend**

- (1) The company's 2022 dividend distribution has been approved by the board of directors on May 10, 2023, and it has been decided not to distribute dividends to shareholders.
- (2) The case will be reported at the general meeting of shareholders on June 27, 2023.

##### **C. Expected significant changes in the dividend policy. Explanation: None.**

**4.1.7 The impact of the proposed free share allotment on the company's business performance and earnings per share**

**The Company has no free rights issue and has no impact on the company's operating performance and earnings per share.**

**4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration**

A. Employee bonus and directors and supervisors Reward specified in the company's corporate charter:

When the Company in accordance with the annual profit after deducting accumulated deficit situation, as there are balance, employee compensation should be set aside 3-5%, not more than 3% of the remuneration of directors.

Employee compensation in the preceding paragraph to whom shares or cash, the payment must include the object in line with the conditions set by the Board of Directors of subordinate employees, to authorize the Board to develop the relevant measures, only to cash remuneration of directors whom.

After the above provisions of the Board of Directors resolution, and then report to the general meeting of shareholders.

B. The Estimated Basis for Calculating the Employee Bonus and Directors' and Supervisors' Remuneration:

The staff remuneration and the reward to directors and supervisors, based on the current net profit before tax to make up for losses in previous post, taking into consideration the relevant laws and regulations, the Articles of Association, and past experience of the appropriate estimate. Actual allotment amount if there are differences and estimated the number of columns, depending on changes in accounting estimates process, as the annual shareholders' meeting resolution adjustment recorded.

C. Profit Distribution for Employee Bonus and Directors' and Supervisors' Remuneration for 2022 Approved in Board of Directors Meeting

(1) Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration: (NT\$ thousands)

Employee Bonus – in Cash	\$3,042,725
Employee Bonus – in Stock	0
Directors' and Supervisors' Remuneration	0
Total	\$3,042,725

(2) Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: Unallocated Employee stock Bonus dividend.

(3) Recounted EPS after Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration: Diluted earnings per share were NT\$0.02.

D. The actual distribution of employee dividends and directors' remuneration in the previous year (including the number of shares allotted, amount, and share price), and the discrepancies between the recognized employee dividends and directors' remuneration, and the number of differences, reasons, and handling conditions should be stated: None difference.

**The surplus of the previous year is used to distribute the remuneration of employees and directors:**

	2021 year		difference
	The actual number of allotments as resolved by the shareholders' meeting	The original board of directors approved the proposed allotment	
Employee Compensation - Cash Bonus	2,484,857	2,484,857	None
Employee Compensation - Stock Bonus	0	0	None
Director's Remuneration	1,242,428	1,242,428	None

#### **4.1.9 Buyback of Treasury Stock**

None

#### **4.2 Bonds**

None

#### **4.3 Special stock handling situation**

None

#### **4.4 Global Depository Receipts**

None

#### **4.5 Employee Stock Options**

None

#### **4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions**

None

#### **4.7 Fund utilization plan execution situation**

**There was no private placement before the company's annual report was printed. As of the end of the annual report, there have been no cases where project benefits have not yet occurred. None**

## **V. Operational Highlights**

### **5.1 Business Activities**

#### **5.1.1 Business Scope**

##### **A. Main areas of business operations**

1. E101011 General Construction
2. E401010 Dredging
3. E599010 Plumbing
4. E801010 Interior Renovation
5. E801020 Doors and Windows Installation
6. E801030 Interior Light Steel Frame Engineering
7. E801040 Glass Installation
8. E801070 Kitchen and Bathroom Equipment Installation
9. E901010 Painting Works
10. E903010 Corrosion and Rust-Proof Works
11. EZ02010 Crane Engineering
12. EZ207010 Drilling Engineering
13. EZ99990 Other Engineering
14. C901040 Ready-Mix Concrete Manufacturing
15. C901050 Cement and Concrete Manufacturing
16. CD01020 Rail Vehicles and Parts Manufacturing
17. CD01990 Other Vehicles and Parts Manufacturing
18. F111090 Building Materials Wholesale
19. F113010 Machinery Wholesale
20. F401010 International Trade
21. F113030 Precision Instruments Wholesale
22. H701010 Residences and Buildings Development, Sale and Lease
23. H701020 Industrial Factory Buildings Development, Sale and Lease
24. H701040 Specialized Fields Construction and Development
25. H701050 Public Works Construction and Investment
26. H701060 New County and Community Development
27. H701070 Zone Expropriation and Urban Land Consolidation Agencies
28. H703090 Real Estate Trading
29. H703100 Real Estate Lease
30. H701080 Urban Renewal
31. J101040 Wastes Treatment
32. J101990 Other Sanitation and Pollution Protection Services
33. E501011 Water Supply Piping
34. E601010 Electrical Equipment Installation
35. E602011 Frozen and Air-conditioning Engineering
36. E603040 Fire Safety Equipment Installation Engineering
37. ZZ99999 In addition to licensed businesses, the company may operate those businesses that are not prohibited or restricted by law.

## Revenue distribution

Unit : NT\$ thousands

Major Divisions	Total Sales in Year 2022	(%) of Total Sales
public construction	4,624,692	99.98
Building	0	0
others	822	0.02
total	4,625,514	100.00

### B. Main products

1. Civil engineering: Special construction method bridge engineering such as railway reconstruction project, advanced support, cantilever block advancement, etc.
2. Maritime engineering : S04, S05 bank revetment and rear embankment land reclamation project of Taipei Gangnan Wharf, dredging of water intake of Datan Power Plant.
3. Bridge engineering : New Project of 5K+000~7K+035 of Tamkang Bridge and its Connected Roads
4. Construction works : Sin-Dian case construction project.
5. Peripheral projects of natural gas thermal power plants: newly built gas-fired units in Taichung Power Plant plan circulating water pumping machine room and new construction of culverts.

### C. New products development

To query the projects released from the Executive Yuan's website and related press, and to select the most favored, high-tech, and value-added projects and include them into the company's annual business plan in order to prepare to be participating in the bidding, including large-scale civil constructions such as road, bridge, and MRT organized by the Ministry of Transportation and Communications, the Ministry of the Interior, and the Taipei City Government.

## 5.1.2 Industry Overview

### A. Current status and development of the industry:

The construction industry is an important people's livelihood industry. The materials and raw materials needed for construction are supplied by other industries. In the planning, design and management, it is often necessary to cooperate with related industries. In addition, the construction industry is a labor-intensive, capital-intensive industry. There are quite a lot of employment opportunities. Therefore, the development of the construction industry is not only related to the rise and fall of industry and commerce, but also closely related to the national livelihood and the overall national economic development. Therefore, advanced countries are all eager to cultivate the sound development of the construction industry and to improve the quality of construction projects.

After years of baptism in the construction industry, some poorly constructed factories have been eliminated by the market mechanism. According to the statistics of the Construction Department of the Ministry of the Interior, as of the end of 2022, there were 19,559 domestic construction plants, including 3,148 Class A construction plants. The construction industry is highly competitive in public

works. In recent years, the Government has actively promoted the domestic public works standards to adopt "the lowest standard for heterogeneous procurement", "the most favorable standard" and "the most favorable standard for the turnkey package". One is to avoid the vicious competition in the domestic industry and affect the quality of the project and the efficiency of implementation. Industrial competitiveness; in addition, the combination of design and construction can be handled in the most favorable way, in addition to cultivating domestic manufacturers to integrate design, construction, mechanical and electrical equipment, financial management and other capabilities, and can introduce innovative materials through turnkey, Technology and engineering methods drive industrial R&D energy and technology improvement, and then achieve sufficient performance and familiarity with international standard procurement methods, and establish the competitiveness of the engineering industry to open up markets abroad.

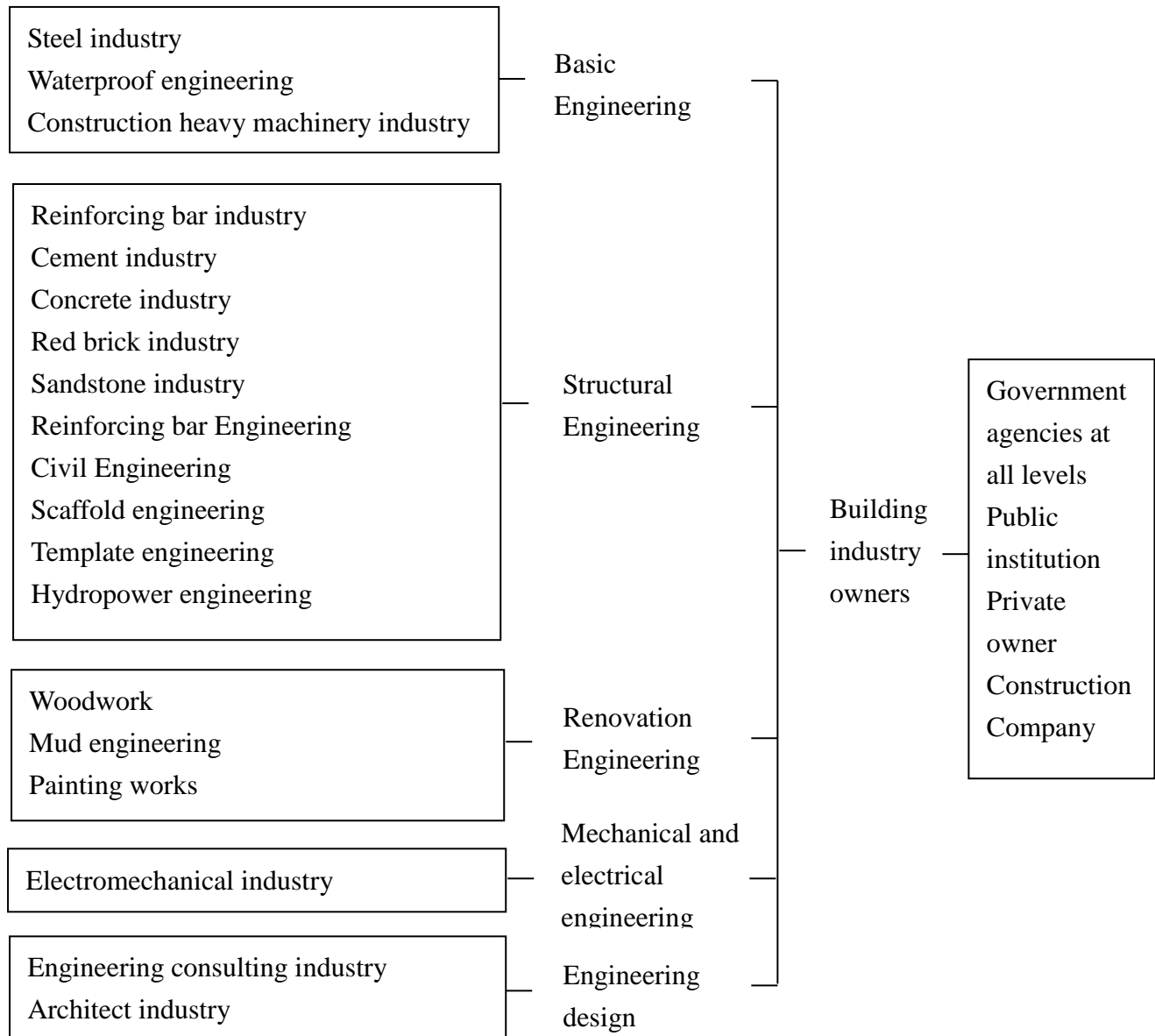
B. Industry, upper, middle and lower reaches:

In this industry, its main business sources are government public works, private construction investment companies, citizen camps and other owners to contract construction projects, so the downstream is government units, citizen camps, civil construction companies and other types of owners, and its upstream industry includes the foundation Engineering, structural engineering, renovation engineering, electrical and mechanical engineering and engineering design.

In terms of the relationship between the construction industry and the upstream industry, the fluctuation of construction materials prices, the increase in contracting costs of professional contractors, the increase in labor costs, and the increase in equipment costs due to price fluctuations are all related to the construction cost of the construction industry. The development of the upstream industry is deeply affected by the prosperity of the construction industry, and the relationship between the two is very close.

In terms of the relationship between the construction industry and the downstream industry, there is no specific source of business in the construction industry, mainly through open bidding or comparison and bargaining, in which public works commissioned by construction operators and open tenders by government agencies are The industry's main business source is the main business source, so the industry's prosperity is mainly affected by the construction industry boom and the government's promotion of public works policies.

### construct industry relationship chart



#### C. Various development trends and competition situations of products:

##### 1. Development trend

Looking at the development results of overseas advanced state construction industry, for example, the construction industry in Europe, the United States and Japan has many financial institutions supporting each other. The capital cost is lower than that of China, and major engineering or engineering construction will be commissioned by the engineering company to handle the package. . In response to many major national construction projects, the Chinese government has also planned to adopt BOT. The domestic construction plants have responded to this trend and prevented the foreign construction plants from entering the domestic market to divide the public engineering market. We are developing towards large-scale and enterprise-oriented operations, and we are committed to improving the research and development of construction technology. The



important development trends in the future of the construction industry are as follows:

- (1). The establishment of the system of the system  
In the case of short-term government finances, the public will be encouraged to participate in public construction investment in the future. The construction of public works will be carried out in the form of BT. and BOT. The construction industry will be transformed in response to this development trend, and the overall planning and design of the case will be carried out. Integration of investment, construction, operation, etc., and joint ventures with the consulting industry, the financial industry and other operating professions, so the scale will be larger in the future, and the business level will also include industry, commerce, and services. Industry, etc., become a corporate complex.
- (2). Internationalization and liberalization of public works  
After China's accession to the World Trade Organization (WTO), the future will inevitably sign a government procurement agreement (GPA) with other countries, and open up foreign construction industry players to enter the domestic construction market, and domestic players will also take the opportunity to come to Taiwan to respond to this trend. Foreign companies collaborating or exploring ways to cooperate with foreign local players in the international market, thus deriving international cooperation contracts, international fund scheduling and national construction regulations and other related issues and issues, will affect the future business strategy of the construction industry.
- (3). Building automation  
Due to the problems of engineering resource allocation, industrial physique and ecological environment change, the construction industry is bound to promote industrial automation. Through construction mechanization and automation, scientific engineering management and engineering refinement, it can reduce manpower demand, increase production capacity, ensure environmental quality and enhance The effect of competitiveness to break through the current difficulties.
- (4). Technology research and development  
As the construction industry will develop towards large-scale development, in the fierce market competition, technology research and development will inevitably be paid more and more attention, and the competitiveness of the market will be enhanced by research and development of new work methods and new materials.
- (5). The formation of professional manufacturers  
For the small and medium-sized construction industry, it will move towards a specialized market segment, introduce new construction methods and machinery for a professional project, engage in professional work, coordinate with large manufacturers, and exert the overall construction effect.
- (6). Enterprise management  
Since the construction industry will transform itself from a technically-oriented service industry to a composite enterprise, its business model will be different from the past. The bidding decision will be transformed from the perspective of investment, introducing new technologies, and focusing on efficiency. Cost and talent use, with scientific management, long-term enterprise management as the ultimate goal.

In summary, after joining the WTO, the domestic construction market will be fully open to the outside world, and the Taiwanese construction industry will face greater challenges as foreign players join the competition. As foreign manufacturers are superior in scale and automation to domestic players, it is necessary for operators to further enhance their competitiveness. In the future, apart from the large-scale development of the DPRK and the cooperation with foreign technology, the project will be contracted to resolve foreign competition. Quality, cost and the use of automated construction machinery, etc., must also be given more attention to enhance their competitiveness and become the future development trend of the domestic construction industry.

## 2. Competition situation

The company's main business projects are the contracting and construction of public works. At present, there are more than 18,000 construction plants in China, and the difference between capital and business scale is very different. At present, the business scope of the top 20 domestic construction plants includes residential Engineering and public works, the same business projects of the company include listed China Engineering, Xinlu Engineering, Jianguo Engineering, Foundation Construction, Huangchang Construction, Daxin Engineering and Xinya Construction, and have been on the company Changhong Construction, Germany Chang Construction, Double Happiness Construction, and the recently converted privately owned company from the public to the private sector are the main competitors. In addition, Honghua and Dongpi Construction a maritime engineering major, has become a major competitor.

### 5.1.3 Research and Development

#### 1. Research expenses for the most recent year and the end of the annual report:

The company is in the construction industry and it aims on the enhancement of technology, thus there is no direct research cost.

#### 2. Develop successful technologies or products:

Entry	category	Technical research project name	Implementation results
1	Management	Research on the practical application of BIM in construction engineering	Planning for the use of Tamkang Bridge and Taichung Power Plant.
2	design	Research on Anti-corrosion Construction Method of Spraying Polyurethane Concrete on Pier Column and Foundation of Danjiang Bridge	The trial spraying operation of concrete samples for the piers of the Tamkang Bridge has been completed.
3	Design + construction	Tamkang Bridge Water Steel Bridge	Processing of agglomerated steel plates for steel bridge structures is currently in progress
4	Design + construction	Cable-stayed steel cables of Tamkang Bridge	At present, wire rope inspection, inspection and processing operations are in progress.
5	Design + construction	Research on the Climbing Formwork Construction Method	Climbing mold construction method critical assessment submission work is currently in

Entry	category	Technical research project name	Implementation results
		for the Tower Column of Tamkang Bridge	progress.
6	Design + construction	Research on Binding Steel Bars in Tower Columns of Tamkang Bridge.	At present, the critical assessment of steel lashing is being submitted for review.
7	Design + construction	Research on Self-balanced Load of Foundation Piles of Tamkang Bridge.	P100 foundation pile test of Tamkang Bridge has been completed.
8	Design + construction	Research on Concrete Temperature Control of Tamkang Bridge.	The temperature control construction of the foundation and pier column concrete of the land end of the Tamkang Bridge has been completed.
9	Design + construction	Research on the Steel Structure Retaining Support System of the Cofferdam for the Tower Column Foundation of Tamkang Bridge.	The steel structure of the retaining support system has been processed.
10	Design + construction	Research on Damping System of Tamkang Bridge.	The critical assessment of the damping system is currently being submitted for review.
11	Design + construction	Research on Ball Support System of Tamkang Bridge.	At present, the critical assessment of the spherical support system is in progress.
12	Design + construction	Research on Elevator in the Construction of Tamkang Bridge.	The critical assessment of construction elevators is currently being submitted for review.
13	Design + construction	Research on Transportation and Hoisting of Steel Bridge Segments of Tamkang Bridge.	At present, the critical assessment submission operation of steel bridge segment transportation and hoisting has been carried out.
14	Design + construction	1,200T steel bridge to complete	The side push work of Fangliao Beishixi Bridge

Entry	category	Technical research project name	Implementation results
		the side thrusting study within 12 hours.	has been completed on 2021/04/24~25.

#### 5.1.4 Long-term and Short-term Development

##### 1. Short-term Development

With the rapid growth of the company's business and the fierce competition environment, and in order to improve the construction quality, reduce the construction cost and enhance the construction technology, the company will continue to develop and improve its own technology, and actively promote automation, standardization and safety. Shorten the development of the construction period, the short-term plan will continue to cooperate with the government policy, continue to focus on the contract of public works, the future will appropriately expand the proportion of construction projects, and collect various construction methods for the development and application of domestic construction plants,

- A. Establish project (internal and external) numbering system
- B. Interface (internal and external) cutting and process establishment
- C. Selection and application of geological improvement methods
- D. Research on tunnel construction method and rock rock stability
- E. Study on construction of earth excavation support
- F. Research on the composite construction method of super high-rise residential buildings using PC
- The use of G.BIM technology enables real-time monitoring of the establishment of the system.

H. Research on port dredging method and machine tool improvement.

I. Research on the sea connection and lifting of the rocks of the breakwater.

And by cooperating with foreign construction plants, we will introduce various advanced construction methods, research and develop the strengths of each family, and strengthen our own technical capabilities. In the quality policy, we will continue to implement the existing ISO 9001 operating systems, and implement the construction plan accordingly, so that the implementation of each project not only has a comprehensive planning beforehand, but also the quality, cost, duration, and safety of the actual application. Effectively control, and lay the foundation for the future to undertake new cases and expand the scale of operations, towards the goal of improving competitiveness and sustainable operation.

##### 2. Long-term Development

The company will actively participate in the bidding for various new projects while planning to implement the government's plan to expand domestic demand. It plans to gradually explore the contracting of private projects and large-scale overseas projects, and leverage the opportunities of technical cooperation with foreign construction plants to extend the reach of its business overseas. With a view to the gradual increase in the international economic cycle and the increasing emphasis on public construction, countries have embarked on the international stage and developed into an international construction factory, moving the scale of operations to a world-class direction.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### 1. Sales (Service) Region

The company is mainly focused on undertaking the national public constructions, supplemented by the and public civil engineering and architectural engineering, major products comprise the road construction, bridge construction, and tunnel construction, etc. construction sites are throughout the northern, central, and southern parts. In recent years, in response to the government's "Look East" policy, the company has been participated actively in the eastern part of development plan, which will enable the company to be unrestricted in the tender area. Our services are throughout the province, all businesses are within the country.

#### 2. Market Share (%) of Major Product Categories in the Last Two Years

Year	Turnover in the construction industry	Turnover of the company	Market share (%)
2022	3,599,603 millions	4,626 millions	0.13
2021	3,073,187 millions	3,607 millions	0.12

The future supply and demand situation and growth of the market:

#### (1) Supply and demand situation

The Budget and Accounting Office of the Executive Yuan predicted that the GDP would be 4.15% at the beginning of 2022. On November 29, 2022, it announced that the GDP in 2022 would be 3.06%, which was revised down by 0.7%. , the international political and economic situation will also change, bringing great economic impact. Today's global economy is weakening and is seriously threatened, such as the US-China trade conflict, the COVID-19 mutant strain epidemic, the ongoing war between Russia and Ukraine, the semiconductor supply chain is tight, inflation is rising, the US Federal Reserve is raising interest rates, and food and fuel Impacts such as the sharp fluctuations in prices of base metals and other factors have not only changed the global supply chain and industrial division of labor, but also affected the way of life and work. We are currently facing a new economic cycle. How to deal with this new cycle of work is worth thinking about. And regard it as the most important work.

In 2023, the government will continue to promote forward-looking infrastructure construction in order to activate economic innovation and growth momentum, and promote "six core strategic industries" on the basis of "five plus two" industrial innovations, and build Taiwan into an advanced semiconductor manufacturing process, Asian high-end manufacturing, green Energy development and high-tech research and development centers, and the construction of a complete supply chain have made Taiwan a key player in the global economy. And actively strive to join the regional economic integration, negotiate and sign bilateral economic and trade

agreements, explore potential markets, and guide the industrial layout to expand global business opportunities.

A total of NT\$597.2 billion is budgeted for government public construction plans in 2023, an increase of NT\$137.6 billion compared to the same basic budget of NT\$459.6 billion in 2022. Among them, the three sub-categories of "transportation and construction", "environmental resources" and "urban and regional development" that can be contracted by the construction industry have a total of NT\$254.2 billion, and the most important category of transportation construction has NT\$162.7 billion Yuan.

In 2023, the company will continue to focus on public works such as roads, rail transportation, bridges, tunnels and ports as its main targets.

## (2) Growth

A. According to the website of the Public Works Committee of the Executive Yuan, the government will expand public construction investment, boost the economy, and implement the "Love Taiwan 12 Construction Master Plan" to give priority to the promotion of 12 infrastructures, including:

(A). In terms of transportation, through the construction of convenient transportation network, Kaohsiung Port City Reconstruction and Taoyuan International Aviation City, it will greatly enhance Taiwan's global transportation energy.

(B). In terms of industrial development, through the new settlement of high-tech industries in the central region, smart Taiwan and industrial innovation corridors, it will accelerate the accumulation of intellectual capital and build Taiwan's future competitiveness.

(C). In terms of urban and rural development, it will promote the renewal of urban and industrial areas, as well as rural regeneration, revitalize the economic vitality of old and backward areas, and create a new look of urban and rural areas.

(D). In terms of environmental conservation, it will give priority to environmental protection projects such as coastal renewal, green afforestation, flood control and sewer construction, and implement environmental and ecological protection and carbon reduction effects through practical actions.

The above-mentioned infrastructure construction, the company's convenient transportation network for transportation, Kaohsiung Port Redevelopment and environmental protection

Basic projects such as flood prevention and water control and sewer construction in the field of education have certain business opportunities in the next few years.

B. The government actively plans to expand the comprehensive infrastructure investment and start to build the infrastructure needed for the country's future development. It proposes a "forward-looking infrastructure design painting", including eight major construction paintings, which will lay the foundation for Taiwan's development in the next 30 years and accelerate Taiwan's economic transformation. And upgrading, boosting the country's long-term competitiveness, drawing a blueprint for happiness for the people, and building various soft and hard bodies, most of which are related to the construction industry.

(A) Construction of a safe and convenient "track construction":

a. Construction Content: Promote 5 "High-speed Rail Railways into a Network", "Taiwan Railway Upgrade and Improvement of Eastern Services", "Three-dimensional Railway or Commuter Speed", "Urban Push-Mart" and

- "Central-South Tourism Railway" The main axis has a total of 38 track design drawings.
- b. Objective: To build Taiwan's rail system into a backbone transportation service that is friendly, seamless, industrial, safe, reliable, easy to operate, sustainable, and attractive.
- (B) "Water Environment Construction" in response to climate change:
- a. Construction content: Accelerate water treatment, water supply and hydrophilic infrastructure.
  - b. Objective: Stable water supply, continuous cycling, permeable city, land security, water and green integration, and a happy environment of quality water in Taiwan.
- (C) "Green Energy Construction" to promote environmental sustainability:
- a. Key points: Solar, wind power and Sharon Green Energy Science City and other related research and development and long-term development bases.
  - b. Objectives:
    - Energy transformation benefits: Strengthen energy security, innovate green economy, promote environmental sustainability and social equity.
    - Industrial Benefits: To build Taiwan's important base for the development of green energy industry in Asia, and to make Taiwan a place in the global green energy industry within 5-10 years.
- (D) Creating a "digital construction" of the wisdom of the country:
- a. Key construction: Accelerate the promotion of social ultra-wideband network social related construction.
  - b. Objectives: Broadband and ultra-wideband use network connection smooth and secure, network users' human rights to obtain basic security, cultural creativity and high-value products into the industry, introduce smart urban and rural construction and establish a learning environment, and promote the creation of cultural and creative industries. Zhaoyuan industry.
- (E) Strengthening the "urban and rural construction" of regional balance:
- a. Construction content: Promote people's sense of construction, including improving parking problems, improving road quality, urban heart project, developing in-ground industrial parks, building cultural living circles, campus community transformation, public service bases, and creating leisure sports Ten projects including environment, Hakka romantic platform 3, and original tribe construction.
  - b. Objective: To improve the quality of the public environment, improve the living conditions of the people, and enhance the overall image of the country.
- (F) In response to the need for child-friendly parenting, "space construction":
- a. Construction content: Promote the publicity of childcare and education in children aged 0 to 5, and create a space for friendly parenting.
  - b. Objective: Accelerate the expansion of the publicity of child care and education, to create a friendly parenting space, provide affordable and quality-supported childcare and education services, reduce the financial burden on parents, reduce women's employment barriers, and reverse minority births. crisis.
- (G) "Food Safety Construction":
- a. Construction content: build a state-level experimental building and education and training building for modern food and medicine, improve the efficiency of the border inspection and customs management system, strengthen the food safety inspection and inspection capacity of health units, and strengthen the

central food safety inspection capacity.

b. Objective: To improve the inspection capacity and improve the safety management system to improve food safety in China.

(H) "Talent Cultivation to Promote Employment Construction":

a. Construction content: Promote the international industry-academic alliance, the establishment of youth science and technology innovation and entrepreneurship bases, the training and employment of high-level talents in key industries, the development of "young researchers", and the optimization of the implementation environment of vocational schools.

b. Objective: To build Taiwan's international standard entrepreneurial settlement as the core, to promote the development of youth entrepreneurship, employment and international industry-university-research cooperation by attracting international talents to Taiwan, and to assist China's innovation and entrepreneurship ecosystem to further integrate with the international community.

C. Government's New South-South Policy: China's engineering industry strives for new south-facing national infrastructure construction opportunities, and selects petrochemical, power plant, intelligent transportation ETC, Metro Rapid Transit and environmental protection five teams as the main output. With reference to the practices of various governments and previous successful cases, the first and foremost conditions must first assist our business to obtain the project performance, and then the conditions for the independent construction of the infrastructure by the manufacturers. Therefore, the subsidy manufacturers will be selected and the foreign aid cases will be selected. The engineering projects with technical advantages are limited by the bidding of our business, assisting the engineering industry to achieve actual results, and the follow-up can continue to open branches and leaves, and compete in the local or neighboring countries to compete for the bidding.

The engineering industry has entered the new south to the market. In addition to integrating the resources of various ministries and departments to promote cooperation, it is necessary for the government to cooperate with the people to create a new blue ocean for the engineering industry.

3. Competitive niche:

The company has been awarded as an excellent construction manufacturer by government agencies at all levels over the years. It will have a competitive advantage for the company's overall corporate image and the most favorable public engineering selection process. The company will continue to develop into a comprehensive large-scale construction industry in the future. In addition to the current major public works, the company will gradually expand its business of building, environmental protection, building materials and machinery. The goal of building business contracts is still based on public works, supplemented by civil construction projects and land development, and actively participate in the island's transportation backbone construction plan. For public projects that are tendered by turnkey, actively seek for better quality and better financial cooperation. Vendors participate in the development of financial planning, overall construction, design, maintenance, operations, investment and other diversified business strength.

4. Favorable and Unfavorable Factors in the Long Term

1. Favorable factors



- (1) The government continues to promote the significant CEPD plan.
  - (2) The domestic economy gradually recovers, and continues to grow.
  - (3) The Government promulgated the "Government Procurement Law.
  - (4) The government is actively engaging in the rewards of excellent construction companies in order to create more competitiveness for excellent construction companies through incentives.
  - (5) In order to stabilize the domestic economy, the government promoted "the expansion of domestic demand programs" and introduced the BOT models to significant constructions in order to stimulate the private capital investment.
  - (6) Since 1999, regarding new project tenders above \$50 million, vendors could receive prepayments of 30% after they have provided the same amount of guarantee.
  - (7) Government to expand public construction investment, boost the economy, the implementation of "12 major construction overall plan" is expected from the Republic of China from 1999 to 2016 only, priority to promote 12 infrastructure.
  - (8) Accession to the WTO to expand overseas market.
2. Unfavorable factors
- (1) Rigorous labor safety penalties, increase in the labor safety cost.  
Countermeasure – Strengthen the labor safety educational training, enhance the labor safety concept, impose a self-inspection system, reduce labor safety fines, and enhance safety.
  - (2) Instability of the bulk material prices of construction projects.  
Countermeasure – As a result of bulk materials (such as: gravel, concrete, steel, earth, oil, etc.) accounted for a high proportion of the entire cost of the project, and in order to reduce the risk, work contracts the company undertakes are still mainly public works, because after winning the bid, the price adjustment amount can be used to pay to vendors for materials, or materials can be used to make up the increased cost expenditure, raw materials reduction or increases in prices.
  - (3) People's wisdom grows, projects being protested, a delay in the construction progress.  
Countermeasure –Actively engaged in establishing good interpersonal relationships in order to establish a common living body and reduce the opposition.
  - (4)People are more environmentally conscious now, thus the cost of environmental protection expenditure increases.  
Countermeasure –The company has passed the "ISO14001" International Environmental Management System Certification, through the implementation of the system, and with the additional provision of pollution control equipment, to increase environmental operating manpower, as well as measures to enhance staff environmental education training.
  - (5) Construction regulations are not perfect, finalized contracts unfair terms still exist.  
Countermeasure –In addition to coordinate with the owner, may as well apply for the conciliation from the Public Construction Commission, Executive Yuan, or arbitration from the Arbitration Association.
  - (6) Malignant low price bidding  
Countermeasure –To strengthen the cost control, do careful assessments in advance, to tender with technical, special construction methods and specific

qualifications, and improve the Bid rate.

- (7) After entering into the WTO, foreign vendors get to bid independently, competitive forces thus have formed.

Countermeasure –Will work to improve the quality of construction, construction management capabilities of high-efficiency, and high standards of construction technology in order to expand the overseas market.

## **5.2.2 Production Procedures of Main Products**

### **A. Major Products and Their Main Uses**

#### **(1) Civil engineering**

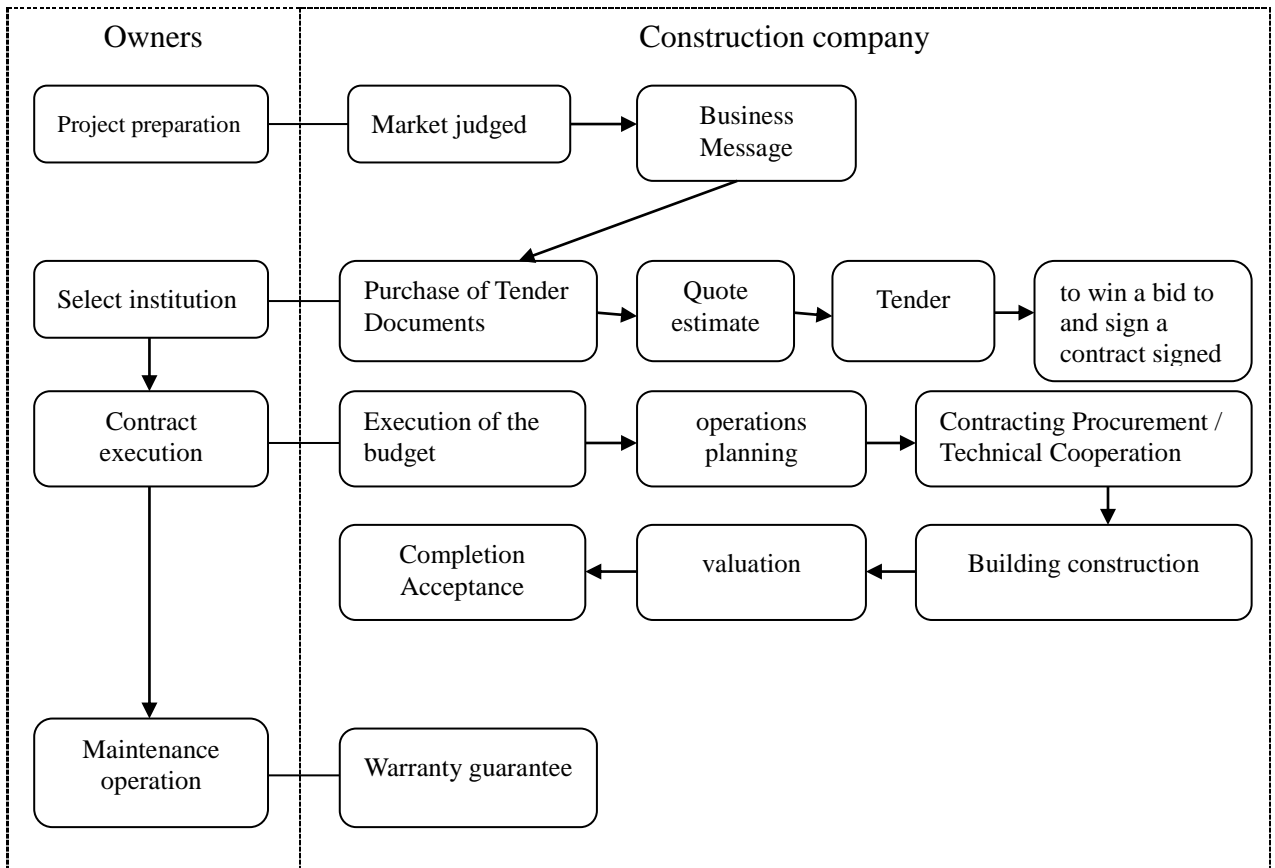
The second expressway, the North City MRT project, the Zhongshan high widening project, the Tamkang Bridge, the cantilever section to promote the new Austrian construction method and other special construction method bridges, tunnel projects and regional elevated express roads, Linkou power plant cylindrical coal bunker system projects. The purpose is to provide public facilities for public transportation and basic livelihood needs, and to improve the quality of life of the people.

- (2) Marine works : Linkou power plant renewal and expansion project. Taichung harbor dock No.106 new construction project.

- (3) Tunnel Project : Su-Hua Highway Guanyin Valley Wind Tunnel. Providing convenient public transportation.

- (4) Orbital Engineering → Taitung Nanping-Wanrong Double-track Civil Engineering and Tram Line Project, “Electrical Engineering Construction Plan of Taitung Chaozhou Section of Taitung South Hui Railway” C811Z Chaozhou Section of Civil Engineering and General Mechanical and Electrical Engineering.

### **B. Major Products and Their Production Processes**



### 5.2.3 Supply Status of Main Materials

The company's engineering construction is contract for labor and materials-based, except some are provided by the owner according to the contract, the rest is procured by the company itself, and its main bulk building materials are offered by domestic suppliers, some special materials are ordered from abroad. The company has been in the market for 70 years, only the national gravel and earth are in shortage, and the price of Petroleum oil rises, the upstream and downstream raw material supply chain is very solid, if events of huge ups and downs in the prices of bulk materials take place during the construction, the company may be able to control materials and vendors, as well as to effectively control the duration period, construction quality, and costs of materials via the floating price adjustment mechanism signed with suppliers, thus no shortages or interruptions could occur.

### 5.2.4 Major Suppliers and Clients

The name of the customer who has accounted for more than 10% of the total (sales) of goods in the previous two years of the previous year and the amount and proportion of the goods entered and sold, and explains the reasons for the increase or decrease.

1. Information on major suppliers in the last two years:

### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2021				2022				2023 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Chao Shen company	860,876	29.86%	None	Chao Shen company	1,046,889	25.11%	None	Jianshan Machinery	61,949	11.99%	None
2	Tung Ho Steel Enterprise Corp.	406,376	14.09%	None	Tung Ho Steel Enterprise Corp.	638,765	15.32%	None	Tung Ho Steel Enterprise Corp.	56,079	10.86%	None
3	Jianshan Machinery	239,556	8.31%	None	Jianshan Machinery	525,965	12.62%	None	Chao Shen company	50,794	9.83%	None
	Others	1,325,560	45.97%		Others	1,932,753	46.36%		Others	347,701	67.32%	
	Net Total Supplies	2,883,326	100.00%		Net Total Supplies	4,169,173	100.00%		Net Total Supplies	516,523	100.00%	

Note 1: The name of the supplier and the purchase amount and proportion of the purchase amount of more than 10% of the total purchase amount in the last two years are listed. However, the contract name may not disclose the name of the supplier or the transaction object is an individual and is not related, and can be coded as .

Note 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified by the accountant.

## B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2021				2022				2023(As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Directorate General of Highways	1,948,904	54.03%	None	Directorate General of Highways	2,373,685	51.32%	None	Directorate General of Highways	561,651	55.24%	None
2	Taiwan Power Company	995,518	27.60%	None	Taiwan Power Company	1,618,856	35.00%	None	Taiwan International Ports Corporation, Ltd	235,920	23.20%	None
3	Taiwan International Ports Corporation, Ltd	372,234	10.32%	None	Railway Bureau, MOTC	324,119	7.00%	None	Taiwan Power Company	179,656	17.67%	None
4	Railway Bureau, MOTC	233,576	6.48%	None	Taiwan International Ports Corporation, Ltd	306,661	6.63%	None	Railway Bureau, MOTC	26,987	2.65%	None
	Others	56,838	1.57%		Others	2,193	0.05%		Others	12,560	1.24%	
	Net Sales	3,607,070	100.00%		Net Sales	4,625,514	100.00%		Net Sales	1,016,774	100.00%	

Note 1: The name of the customer and the sales amount and proportion of the sales volume of more than 10% of the total sales in the last two years are listed. However, the contract name may not disclose the customer name or the transaction object is personal and non-relevant. .

Note 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified by the accountant.

## 5.2.5 Production in the Last Two Years

Unit: NT\$ thousands

Output	Year	2022			2021		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)							
Public construction		-	-	4,405,589	-	-	3,299,148
Total		-	-	4,405,589	-	-	3,299,148

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Major Products (or by departments)	Year	2022				2021			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Operating income	-	4,625,514	-	-	-	3,607,070	-	-	
Total	-	4,625,514	-	-	-	3,607,070	-	-	

### 5.3 Human Resources

Year		2021	2022	Data as of ending data in the current year 2023(As of March 31)
Number of Employees	Manager	8	8	10
	General staff	161	168	167
	Foreign labor	128	345	339
	Total	297	521	516
Average Age		49.33	49.01	48.25
Average Years of Service		12.26	11.69	11.74
Education	Ph.D.	1.17	1.14	1.13
	Masters	14.03	16.48	15.82
	Bachelor's Degree	38.60	38.07	41.24
	College	29.24	27.83	25.99
	Senior High School	15.79	15.34	14.69
	Below Senior High School	1.17	1.14	1.13

## 5.4 Environmental Protection Expenditure

**5.4.1 In the most recent year and up to the date of publication of the annual report, the losses suffered due to environmental pollution (including the violation of environmental protection laws and regulations as a result of compensation and environmental protection audit results, the date of punishment, the name of the punishment, the provisions of the violation of laws and regulations, the content of the violation of laws and regulations, and the content of punishment) and The total amount of punishment: Unit: NT\$ thousands**

	2021	2022(Note)	The current year as of March 31st, 2023
Pollution	Violations of environmental law	Violations of environmental law	Violations of environmental law
Amount of penalty	\$20	\$70	\$0

Note : Environmental fines for 2021 are as follows :

Date	Number	Violation of legal provisions	Content that violates laws and regulations	Punishment content
2022/06/17	Xinbei Huanji Zi No. 23-111-080003	Paragraph 4, Item 1, Article 62 of the Administrative Measures for the Prevention and Control of Air Pollution in Construction Projects.	Material stacking: The dust-proof net covered by the earthwork was not properly covered, resulting in the exposure of part of the soil surface.  Driving route: The access road on the construction site is muddy after rain and has not been cleared immediately.	Fine of NT\$20,000
2022/09/03	Xinbei Water Policy No. 1111940839	Paragraph 7 of Article 78-1 of the Water Conservancy Act, Paragraph 4 of Article 28 of the River Management Act	Four hours after Yu Xuanlannuo issued an onshore typhoon warning, he did not evacuate the material facilities from the river area.	Fine of NT\$50,000

### 5.4.2 Future response measures (including improvement measures):

The company has always attached great importance to environmental protection. In addition to using low-noise equipment to carry out work and laying related facilities to improve road pollution, the construction site also employs employees to strengthen

cleaning to keep the environment clean, and measures to prevent air pollution such as continuous watering and dust-proof nets. It works well. In 2022, the Danjiang Bridge project was fined by the Environmental Protection Bureau of the New Taipei City Government for not properly covering the material piles and not clearing the mud on the access roads on the construction site immediately, and the onshore typhoon warning department did not evacuate the materials from the river area. Sanctioned by the New Taipei City Water Conservancy Bureau.

In the future, it is necessary to strengthen inspections of material stacking, clean the vehicle paths in the work area immediately, and pay attention to timely evacuation of material facilities during typhoon seasons.

#### **5.4.3 Possible future expenditures:**

Based on the recent general awareness of environmental protection and the concept of sustainable management, the company has been regarded as the responsibility of business operations for the prevention and control of pollution and environmental protection. In the construction process of each project, it is in accordance with labor safety and health regulations, and strict requirements for contractors. Do a good job in environmental protection to reduce the penalty for pollution. At present, the environmental protection work of the existing construction sites has been implemented and won the praise of the surrounding residents, which has invisibly enhanced the corporate image of the company. And the company obtained the ISO 14001 international environmental management verification in March 2009, which shows that the company attaches great importance to the prevention and control of environmental pollution. Under the premise of the company's efforts to implement various pollution prevention and control work, there should be no environmental pollution in the future. Significant expenses incurred.

#### **5.4.4 In accordance with relevant laws and regulations, the impact of the “EU Directive on Restriction of Hazardous Substances” (RoHs) on the Company is disclosed:**

According to the company's industry characteristics, it is not affected by RoHs.

### **5.5 Labor Relations**

A. The company's various employee welfare measures, training, training, retirement system and its implementation, as well as the agreement between labor and management and the maintenance measures of various employee rights:

#### **1. Welfare measures:**

The Company established the Staff Welfare Committee in June 1993. Each year,



the annual plan and budget are set up to handle various activities, including: emergency relief, wedding support, annual gift money, employee travel and regular health check, except for labor insurance. In addition, the company insured group accident insurance and medical insurance, so that the colleagues enjoy multiple protection.

In order to enable all employees to work together to create profits, after the end of the fiscal year, if the company has a surplus, in addition to giving priority to the past years of losses and legally submitting the statutory reserves, then 3%-5% bonus will be paid from the surplus to all employees. Dividends, and each time the cash increase, a certain percentage of the funds are provided for employees to buy shares.

## 2. Training

Education and training is one of the key points of the company's human resources management. The development of new employees from general education to professional technology is carried out according to the plan. Through on-the-job and extra-training to enhance their technical capabilities, leadership and career development. And there are incentives added by the license to encourage employees to actively pursue further studies, strengthen their management skills and cultivate their concentration and sincere work attitude. In the future, the company will continue to carry out personnel training programs, so that the career planning of employees can grow together with the overall interests of the company.

(1) The company's 2022 annual education and training statistics

project	Course Title	Number of people	Hours	Training cost(NT\$)
Engineering courses (quality control, labor safety and health, field directors and other technical courses)	External training for each major	183	1,777	575,877
Human Resources, Administration, Audit, Legal, Information Courses	External training for each major	7	57	27,953
Financial accounting, director education training course	Director training and staff training	8	60	22,000
Internal education training	Prevention of insider trading and integrity	176	352	2,000

	management education and business English and Japanese education and training, etc.			
total		374	2,246	627,830

(2) The company and the financial information transparency related personnel obtained the training hours of the competent authority:

Date		Title/name	organizer	Course Title	Hours
Start	End				
2022/07/19	2022/07/19	Director, Auditing Office Liu, Te-chang	Financial assets of the corporation Futures Development Foundation	Legal Compliance and Operational Audit Practice Workshop	6
2022/12/06	2022/12/06			Legal Compliance Auditing Practices for the Operation of the Audit Committee	6
2022/10/20	2022/10/21	Accounting Supervisor Wen, Shu Chiao	Republic of China Accounting Research and Development Foundation	Continuing training course for accounting supervisors of issuers, securities firms and stock exchanges	12

(3) Manager training situation: (including training and training related to corporate governance)

Date		Title/name	organizer	Course Title	Hours
Start	End				
2022/10/14	2022/10/14	General manager Chiang, chi-ching	Financial Supervisory Commission	2022 Insider Trading Prevention Promotion Conference	3
2022/10/26	2022/10/26			2022 Insider Equity Transaction Legal Compliance Publicity Explanation Session	3
2022/10/14	2022/10/14	Corporate Governance Supervisor Li, kuei-chung	Financial Supervisory Commission	2022 Insider Trading Prevention Promotion Conference	3
2022/10/19	2022/10/19			2022 Insider Equity Transaction Legal Compliance Publicity Explanation	3

			Session	
2022/11/13	2022/11/13	Taiwan Stock Exchange	2022 Cathay Pacific Sustainable Finance and Climate Change Summit Forum	3
2022/11/14	2022/11/14		2022 Cathay Pacific Sustainable Finance and Climate Change Summit Forum	6
2022/11/22	2022/11/22	Chinese Corporate Governance Association	Corporate Social Responsibility - Talking about Corporate Governance from Human Rights Policy	3

### 3. Retirement system and its implementation

#### (1). The old labor pension system of the Labor Standards Law:

The Company has established a Labor Retirement Reserves Supervision Committee and has set a monthly retirement reserve to be deposited in the Central Trustee's Pension Reserve Account. The retirement methods are handled in accordance with the provisions of the Labor Law.

#### (2). New Labour Pension System under the Labour Pensions Ordinance:

Since July 2005, the new system of labor pension has been implemented. The company has stipulated in accordance with the law to allow employees to voluntarily elect the "new and old" system (regardless of whether employees choose new or old systems, the seniority of the people before June 2005 will be retained and applicable. Baseline), for the selection of new employees, the company pays 6% of the monthly salary of the workers as labor pensions and deposits them into individual labor pension accounts.

For other related welfare measures, please refer to the company's website - human resources area. URL:

<https://www.kseco.com.tw/tc/humanResources.aspx?cid=13&cchk=EDDA7FCF-1BBE-4AAC-978B-5737C87B3701>

#### 4. The situation of the labor agreement:

The agreement between the employer and the employee of the company is in accordance with the provisions of the Labor Law and the company's personnel management regulations, which are stipulated when employees enter the

company's services, so the implementation is in good condition. Any new or amended measures related to labor relations will be finalized after the labor and management have fully agreed to communicate, so no disputes have occurred.

B. The losses suffered by labor disputes in the most recent year and the end of the annual report, and the estimated amount and corresponding measures that may occur in the current and future:

1. Losses suffered due to labor disputes in the most recent year and the end of the annual report.

Since the company has always attached importance to labor-management relations, there have been no labor disputes and no losses due to labor disputes.

2. Estimated amount and possible measures that may occur at present and in the future:

(1) Strengthen the shaping of the ethical concept of large family-owned labor.

(2) Establish an interactive communication and appeals pipeline.

(3) Fully comply with labor laws and strengthen welfare measures.

The company still operates in a rational and harmonious management concept. If there are no other external variables, the labor-management relationship should be normal and harmonious, and no monetary losses will occur.

C. The company's employee behavior or ethics code:

The company has a staff manual, which is issued to each new employee when they enter the company, as a yardstick for the conduct of all employees. Its main content is:

1. Employees shall accept the command and supervision of the superior supervisor and shall not arbitrarily defy.

2. Employees should abide by laws and regulations and company regulations, and should be honest, clean, cautious, and diligent. Colleagues should respect each other to ensure the company's reputation and to make progress in the company's business.

3. In addition to the regulations in accordance with the regulations, if there is no stipulation or ambiguity in the case of an employee, the employee shall consider the relevant provisions and their purposes, and shall not be afraid to evade or push the shackles.

4. Employees should respect the company's reputation and must not use the company's name except for the company's designated tasks. Anyone whose

personal opinions involve the company may not be published without permission.

5. Employees are not allowed to use personal convenience to engage in malpractice.
  6. Employees should be dedicated and keep all confidentiality in the business.
  7. Employees should handle the business with the concept of cost, and cherish the public property, and must not arbitrarily waste, destroy, encroach or sell.
  8. Employees in the office should abide by the order and must not talk about or hinder the work or other bad behavior of others.
  9. Employees should cooperate with each other and cooperate with each other. There must be no quarrels, fiddling between right and wrong, and other situations that disturb the order and hinder the discipline.
  10. Employees should be humble and sincere to customers and guests. There must be no arrogance, ignorance or rudeness that would damage the reputation of the company.
  11. Employees should be honest and self-contained, must not be corrupt or corrupt, and must not borrow from the company's customers in the name of the company or position.
  12. During the office hours, employees shall not leave their posts without the approval of the competent personnel.
  13. Employees are not allowed to arbitrarily read account cards, lists, documents, correspondence, etc. that are not their own duties. They may not bring the company's chapters, accounts, documents, etc. out of the office or for viewing.
  14. Employees shall be responsible for stratification, and supervisors at all levels shall perform their duties as supervisors.
  15. The employee leaves the company, except for the trial personnel, the company may issue a certificate of separation.
- D. Work environment and employee personal safety protection measures

The company regularly and irregularly conducts security and propaganda, and has a working environment and employee personal safety protection measures on site construction safety protection. The main contents are as follows:

1. Self-management: Establish safety and health management plans, automatic inspection plans, emergency response plans, and fall disaster prevention plans. The mechanical equipment must have a certificate of inspection, the operator

(including the commander) must have a certificate of conformity, and the supervisors of each sub-project must also obtain a license.

2. Second, there is a risk of falling during construction:

(1) In the edge and opening part of the workplace with a height difference of more than two meters, the guardrail and protection should be set up in accordance with the regulations.

Cover, safety net or protective measures for hanging seat belts.

(2) In workplaces with a height difference of more than 1.5 meters, safety equipment shall be provided in accordance with the regulations.

(3) When working on a roof constructed of easy-to-wear materials such as stone wool board, iron sheet, tile, and wood board, it should be in the house.

The rack is provided with a pedal that prevents stepping and width of more than 30 cm, a safety net or a safety belt.

3. In the construction, there is a risk of collapse or collapse:

(1) The vertical direction of the construction frame is 5.5 meters and the horizontal direction is 7.5 meters. It should be properly connected with the stable structure.

(2) When the excavation depth of the open excavation site is more than 1.5 meters, or there is a ground collapse and the earth and stone are falling, the facilities for retaining soil support, slope protection or fence protection shall be provided.

4. there are people who have a sense of electricity during construction:

Wires should be elevated, use wire, wire covered insulation, and welding work in accordance with CNS standards. Workers should use protective gloves and goggles.

5. Other:

Workers entering the work area should wear safety helmets and reflective vests, and the exposed steel bars in the work area should be used for protection, limited space operation checkpoints, tunnel project access control, lighting and ventilation checkpoints.

## **5.6 Information security management**

### **5.6.1 Describe the information security risk management framework, the**

**information security policy, the specific management plan and the resources invested in the information security management, etc.**

The information room is an independent department not affiliated to the user unit, responsible for coordinating and implementing information security policies, promoting information.

Information security information to enhance employees' information security awareness. The internal control system - electronic computer management is reviewed by the audit office every year management system, conduct information security audits, and evaluate the effectiveness of the internal control of the company's information operations.

For detailed information on the company's information security risk management structure, information security policy and management plan, please refer to the official website company website. URL:

<https://www.kseco.com.tw/tc/serviceInfo.aspx?cid=98&cchk=7fa6fd7b-3669-48b8-8d74-3caf9342fa45>

The resources invested in the security management of Zitong:

- (1) Network hardware devices such as firewalls, email antivirus, spam filtering, Internet behavior control, network-managed integrated circuits, intrusion prevention, etc.
- (2) Software systems such as antivirus software, backup management software, VPN authentication, regular log records of information security equipment, etc.
- (3) Telecom services such as multiple lines, traffic monitoring, etc.
- (4) Investing in manpower such as: daily system status inspection, weekly regular backup and implementation of backup media in different places, publicizing information security information at any time, enhancing employee information security awareness, annual system disaster recovery execution drill, annual information cycle Internal audit, accountant audit, etc.

**5.6.2 List the losses, possible impacts and countermeasures caused by major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.**

In recent years and the date of publication of the annual report, the company has not suffered losses due to major information security incidents. In order to avoid future incidents that may cause losses due to information security, we will

increase the resources devoted to information security management year by year.

### 5.7 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Engineering contract	Taiwan Electric Power Co., Ltd. Nuclear Thermal Power Engineering Division	2002.04.26~2019.08.08 2022.04.21 Acceptance	Linkou Power Plant Renewal and Expansion Plan Tubular Coal Bunker System Turnkey Project	None
Engineering contract	Railway Bureau, MOTC South Engineering Office	The first stage 2016.09.06 ~ 2022-01-18 The second stage: +180 days after Party A's notification 2021.12.31 report for completion/2022.12.26 acceptance	Engineering project Railway Electrification for the chaofang section of SOUTH-LINK line, civil electrical & nechanical from CHAOZHOU to LINBIAN , LOT 811.	None
Engineering contract	Railway Bureau, MOTC East Engineering Office	2017.09.20~ 2022.11.23 acceptance	C031 Hualien Township, Nanping to Wanrong railway line, double track civil work and tram system project.	None
Engineering contract	Temporary Engineering Office of the North District of Western Binhai Highway, General Administration of Highways, Ministry of Communications	2019.02.23~ 2025.06.28	Construction of Tamkang Bridge and Connecting Road Network 5K+000~7K+035	None
Engineering contract	Taiwan Ports Co., Ltd. Keelung Port Branch	2020.07.16~ 2022.08.30 2022.10.14 acceptance	Taipei Port South Wharf S07, S08 Revetment and Rear Line Embankment Construction Project	None
Engineering contract	Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications	2020.12.02~ 2025.01.25	Taiwan Line 9 212K + 800~214K + 685 Papaya River Bridge Reconstruction Project	None
Engineering contract	Central Taiwan Construction Office, Nuclear Thermal Power Engineering Office, Taiwan Electric Power Co., Ltd.	2021.03.01~ 2026.03.23	Taichung Power Plant's new gas-fired unit plans to recycle water pumping machine room and underdrain construction	None



Engineering contract	Northern Construction Office of Nuclear Thermal Power Generation Engineering Office, Taiwan Electric Power Co., Ltd.	2022.03.18~ 2022.11.13	Continuous dredging project of existing inlet bay of Tai Tan Power Plant	None
Engineering contract	Taiwan Ports Co., Ltd. Keelung Port Branch	2022.07.21~2027.03.17	Public facilities and permanent revetment and S04~S05 wharf project of Taipei Gangnan Wharf reclamation area	None
Engineering contract	Lianya Technology Co., Ltd.	2022.12.30~2023.04.30	Lianfeng Zhongke's pre-basic base plate project	None
Engineering contract	Jian Xiuyi, Lian Wenbin	2022.09.19~2026.01.24	New construction of 8 land numbers including No. 360, Fifth Subsection, Nanhai Section, Zhongzheng District, Taipei City	None

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

##### Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of the printing date of this annual report (Note 3)
		2018	2019	2020	2021	2022	
Current assets		8,592,678	8,506,827	7,231,639	6,942,930	6,452,863	6,208,856
Property, Plant and Equipment (Note2)		647,203	521,495	445,732	445,373	444,037	438,890
Intangible assets		-	5,822	4,147	2,088	5,091	4,909
Other assets		612,593	483,160	645,995	411,096	423,124	440,026
Total assets		9,852,474	9,517,304	8,327,513	7,801,487	7,325,115	7,092,681
Current liabilities	Before distribution	5,232,035	4,630,827	2,489,135	2,216,974	1,836,832	1,670,613
	After distribution	5,232,035	4,630,827	2,489,135	2,216,974	(Note 6)	(Note 6)
Non-current liabilities		805,137	360,755	262,464	300,397	203,894	209,074
Total liabilities	Before distribution	6,037,172	4,991,582	2,751,599	2,517,371	2,040,726	1,879,687
	After distribution	6,037,172	4,991,582	2,751,599	2,517,371	(Note 6)	(Note 6)

Equity attributable to shareholders of the parent		3,562,459	4,269,624	5,322,268	5,284,116	5,284,389	5,212,994
Capital stock		3,475,274	4,475,274	4,475,274	4,922,802	4,922,802	4,992,802
Capital surplus		18,545	519	519	519	519	519
Retained earnings	Before distribution	55,253	(208,357)	799,673	324,836	340,219	257,745
	After distribution	55,253	(208,357)	799,673	324,836	(Note 6)	(Note 6)
Other equity interest		13,387	2,188	46,802	35,959	20,849	31,928
Treasury stock		-	-	-	-	-	-
Non-controlling interest		252,843	256,098	253,646	-	-	-
Total equity	Before distribution	3,815,302	4,525,722	5,575,914	5,284,116	5,284,389	5,212,994
	After distribution	3,815,302	4,525,722	5,575,914	5,284,116	5,284,389	(Note 6)

\* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the last five years.

Note 1: Any year that has not been verified by an accountant should be indicated.

Note 2: Those who have applied for asset revaluation in the current year should be listed on the date of processing and the value of the revaluation.

Note 3: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed by the accountant or reviewed.

Note 4: The above figures are assigned after the allocation, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note 5: Financial information should be corrected or re-edited by the competent authority upon notification. It should be compiled with corrected or re-edited numbers and indicate the circumstances and reasons.

Note 6: The shareholders' meeting will decide to allocate.

**Consolidated Condensed Balance Sheet (parent company)**

**Unit: NT\$ thousands**

Item \ Year		Financial Summary for The Last Five Years(Note 1)				
		2018	2019	2020	2021	2022
Current assets		6,926,151	7,384,359	5,633,474	5,494,359	5,021,791
Property, Plant and Equipment (Note 2)		338,780	300,604	232,100	238,999	244,921
Intangible assets		-	5,822	4,147	2,088	5,091
Other assets		1,856,156	1,055,321	2,199,843	2,063,544	2,043,557
Total assets		9,121,087	8,746,106	8,069,564	7,798,990	7,315,360
Current liabilities	Before distribution	4,757,679	4,115,482	2,484,532	2,214,177	1,831,382
	After distribution	4,757,679	4,115,482	2,484,532	2,214,177	(Note 6)
Non-current liabilities		800,949	361,000	262,764	300,697	199,589
Total liabilities	Before distribution	5,558,628	4,476,482	2,747,296	2,514,874	2,030,971
	After distribution	5,558,628	4,476,482	2,747,296	2,514,874	(Note 6)
Equity attributable to shareholders of the parent		-	-	-	-	-
Capital stock		3,475,274	4,475,274	4,475,274	4,922,802	4,922,802
Capital surplus		18,545	519	519	519	519
Retained earnings	Before distribution	55,253	(208,357)	799,673	324,836	340,219
	After distribution	55,253	(208,357)	799,673	324,836	(Note 6)
Other equity interest		13,387	2,188	46,802	35,959	20,849
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	3,562,459	4,269,624	5,322,268	5,284,116	5,284,389
	After distribution	3,562,459	4,269,624	5,322,268	5,284,116	(Note 6)

Note 1: Any year that has not been verified by an accountant should be indicated.

Note 2: Those who have applied for asset revaluation in the current year should be listed on the date of

processing and the value of the revaluation.

Note 3: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed by the accountant or reviewed.

Note 4: The above figures are assigned after the allocation, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note 5: Financial information should be corrected or re-edited by the competent authority upon notification. It should be compiled with corrected or re-edited numbers and indicate the circumstances and reasons.

Note 6: The shareholders' meeting will decide to allocate.

Note 7: There is no individual financial report in the first quarter of 2022, so it is not applicable.

## 6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

### Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Year					As of the printing date of this annual report (Note 2)
	Financial Summary for The Last Five Years (Note 1)					
	2018	2019	2020	2021	2022	
Operating revenue	3,844,011	4,282,904	7,159,730	3,607,070	4,625,514	1,016,774
Gross profit	31,988	172,789	1,891,615	307,922	219,925	42,239
Income from operations	(133,819)	6,944	1,149,068	70,662	30,089	(80,206)
Non-operating income & expenses	27,484	(9,026)	(83,845)	7,604	27,723	583
Income before tax	(106,335)	(2,082)	1,065,223	78,266	57,812	(79,623)
Continuing business unit Current net profit	(70,071)	(20,759)	1,007,121	34,287	10,762	(82,474)
Stop business unit loss	-	-	-	-	-	-
Net income (Loss)	(70,071)	(20,759)	1,007,121	34,287	10,762	(82,474)
Other comprehensive income (income after tax)	25,380	80,140	43,071	(14,507)	(10,489)	11,079
Total comprehensive income	(44,691)	59,381	1,050,192	19,780	273	(71,395)
Net income attributable to shareholders of the parent	(68,950)	(24,014)	1,009,573	35,181	10,762	(82,474)
Net income attributable to non-controlling interest	(1,121)	3,255	(2,452)	(894)	-	-
Comprehensive income attributable to Shareholders of the parent	(43,570)	56,126	1,052,644	20,674	273	(71,395)
Comprehensive income attributable to non-controlling interest	(1,121)	3,255	(2,452)	(894)	-	-
Earnings per share	(0.20)	(0.07)	2.05	0.07	0.02	(0.17)

Note:

\* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the last five years.

\*If the financial information of the International Financial Reporting Standard is less than 5 years, the following table should be prepared separately. (2) Adopting China's

financial accounting standards

Financial information.

- 1: Any year that has not been verified by an accountant should be indicated.
- 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information checked by the accountant or reviewed.
- 3: The loss of the business unit is listed as the net amount after the income tax has been deducted.
- 4: Financial information shall be corrected or rewritten by the competent authority upon notification by the competent authority, and shall be listed in the corrected or renumbered number, with the circumstances and reasons.

**Condensed statement of comprehensive income(parent company)**

**Unit: NT\$ thousands**

Year Item	Financial Summary for The Last Five Years(Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	3,812,581	4,204,288	3,096,919	3,550,232	4,624,692
Gross profit	26,479	155,750	1,078,215	296,738	219,103
Income from operations	(102,635)	15,139	(1,806,849)	75,484	43,288
Non-operating income & expenses	(2,579)	(20,476)	2,819,375	3,618	14,524
Income before tax	(105,214)	(5,337)	1,012,526	79,102	57,812
Continuing business unit Current net profit	(68,950)	(24,014)	1,009,573	35,181	10,762
Stop business unit loss	-	-	-	-	-
Net income (Loss)	(68,950)	(24,014)	1,009,573	35,181	10,762
Other comprehensive income (income after tax)	25,380	80,140	43,071	(14,507)	(10,489)
Total comprehensive income	(43,570)	56,126	1,052,644	20,674	273
Net income attributable to shareholders of the parent	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	(0.20)	(0.07)	2.05	0.07	0.02

1: Any year that has not been verified by an accountant should be indicated.

2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information checked by the accountant or reviewed.

3: The loss of the business unit is listed as the net amount after the income tax has been deducted.

4: Financial information shall be corrected or rewritten by the competent authority upon notification by the competent authority, and shall be listed in the corrected or

renumbered number, with the circumstances and reasons.

5. There is no individual financial report in the first quarter of 2022, so it is not applicable.

### 6.1.3 Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	CPA	Audit Opinion
2018	PwC Taiwan	Wang, Fang-yu    Hsiao,Chin-mu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
2019	PwC Taiwan	Lin, Se-kai    Hsiao,Chin-mu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
2020	PwC Taiwan	Lin, Se-kai    Wang, Fang-yu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
January-June 2021	PwC Taiwan	Lin, Se-kai    Wang, Fang-yu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
July to December 2021		Lin, Se-kai    Wen, Ya-Fang	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
2022	PwC Taiwan	Lin, Se-kai    Wen, Ya-Fang	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities



## 6.2 Five-Year Financial Analysis

### Consolidated Financial Analysis – Based on IFRS

Item		Year		Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2018	2019	2020	2021	2022			
Financial structure (%)	Debt Ratio	61.28	52.45	33.04	32.27	27.86	26.50		
	Ratio of long-term capital to property, plant and equipment	713.91	937.01	1309.84	1253.90	1236.00	1235.40		
Solvency (%)	Current ratio	164.23	183.70	290.53	313.17	351.30	371.65		
	Quick ratio	72.43	98.04	269.80	291.80	325.85	343.82		
	Interest earned ratio (times)	(2.20)	0.94	27.62	12.94	6.61	(28.63)		
Operating performance	Accounts receivable turnover (times)	3.77	6.07	28.71	34353.05	53.57	10.94		
	Average collection period	96.82	60.13	12.71	0.01	6.81	33.36		
	Inventory turnover (times)	0.94	0.98	11.17	7.49	10.55	2.33		
	Accounts payable turnover (times)	2.84	3.00	4.74	3.55	4.85	1.04		
	Average days in sales	388.30	372.45	32.68	48.73	34.60	156.65		
	Property, plant and equipment turnover (times)	5.56	7.33	14.80	8.10	10.40	2.30		
	Total assets turnover (times)	0.39	0.45	0.86	0.46	0.63	0.14		
Profitability	Return on total assets (%)	(0.47)	0.10	11.65	0.49	0.25	(1.11)		
	Return on stockholders' equity (%)	(1.78)	(0.5)	19.94	0.63	0.20	(1.57)		
	Pre-tax income to paid-in capital (%)	(3.06)	(0.05)	23.80	1.59	1.17	(1.62)		
	Profit ratio (%)	(1.82)	(0.48)	14.07	0.95	0.23	(8.11)		
	Earnings per share (NT\$)	(0.20)	(0.07)	2.26	0.07	0.02	(0.17)		
Cash flow	Cash flow ratio (%)	(14.73)	(0.98)	144.78	(7.38)	(12.15)	(5.05)		
	Cash flow adequacy ratio (%)	(47.84)	(56.61)	135.97	114.77	117.39	401.94		
	Cash reinvestment ratio (%)	(20.28)	(0.94)	61.36	(3.93)	(3.98)	(1.52)		
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.00		
	Financial leverage	0.80	(0.23)	1.04	1.10	1.52	0.97		

**Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from analysis)**

1. The reduction in interest coverage ratio: This is due to the increase in the estimated total cost of some projects this year, resulting in a decrease in gross profit margin, and a slight increase in financial cost expenses due to the bank's increase in interest rates, resulting in a decrease in the interest coverage ratio.

2. The decrease in the turnover rate of accounts receivable and the increase in the average number of cash collection days: the main reason is that some accounts receivable at the end of this year were not recorded in time, resulting in a decrease in the turnover rate of accounts receivable.

3. Inventory turnover rate, account payable turnover rate increase and average sales days decrease: the main reason is that some projects this year have entered the mid-to-high stage, and the progress of the project has increased.

Coupled with the increase in relative operating costs compared to the previous year, the inventory turnover rate, payables turnover rate increased and the average sales days decreased.

4. The increase in the turnover rate of real estate, plant and equipment and the turnover rate of total assets: the main reason is that some projects have entered the middle and high stage this year, and the increase in project progress relative to the increase in operating income compared with the previous year has resulted in an increase in the turnover rate of real estate, plant and equipment and the turnover rate of total assets.

5. Decrease in return on assets, decrease in return on equity, decrease in the ratio of pre-tax net profit to paid-in capital, decrease in net profit rate and earnings per share: the main reason is that the adjustment of the estimated total cost of some projects this year caused the decline in gross profit rate to affect profit and loss, resulting in a decrease in return on assets. decrease in return on equity, decrease in the ratio of pre-tax net profit to paid-in capital, decrease in net profit rate and earnings per share.

6. Decrease in cash flow ratio: The main reason is that some accounts receivable at the end of this year were not recorded immediately, resulting in less cash flow, resulting in a lower cash flow ratio.

7. Increased financial leverage: The main reason is that banks raised interest rates, resulting in a slight increase in interest expenses, resulting in an increase in financial leverage.

### Financial Analysis(parent company)

Item		Financial Analysis for the Last Five Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio	60.94	51.18	34.05	32.25	27.76
	Ratio of long-term capital to property, plant and equipment	1287.98	1540.44	2406.30	2336.75	2239.08
Solvency (%)	Current ratio	145.58	179.43	226.74	248.14	274.21
	Quick ratio	75.99	176.16	225.95	246.96	273.15
	Interest earned ratio (times)	(2.23)	0.86	39.06	13.06	6.62
Operating performance	Accounts receivable turnover (times)	3.65	5.85	12.42		53.62
	Average collection period	100.00	62.39	29.39		6.81
	Inventory turnover (times)	1.36	2.56			
	Accounts payable turnover (times)	2.84	2.99	3.77	3.51	4.86
	Average days in sales	268.38	142.58			
	Property, plant and equipment turnover (times)	11.25	13.99	13.34	14.85	18.88
	Total assets turnover (times)	0.42	0.48	0.38	0.46	0.63
Profitability	Return on total assets (%)	(0.50)	0.06	12.26	0.51	0.25
	Return on stockholders' equity (%)	(1.87)	(0.61)	21.05	0.66	0.20
	Pre-tax income to paid-in capital (%)	(3.03)	(0.12)	22.62	1.61	1.17
	Profit ratio (%)	(1.81)	(0.57)	32.60	0.99	0.23
	Earnings per share (NT\$)	(0.20)	(0.07)	2.26	0.08	0.02
Cash flow	Cash flow ratio (%)	(7.93)	(1.37)	(10.44)	(9.67)	(11.39)
	Cash flow adequacy ratio (%)	(15.53)	(28.64)	14.36	(23.86)	(61.32)
	Cash reinvestment ratio (%)	(12.93)	(1.24)	(4.63)	(4.86)	(3.75)
Leverage	Operating leverage	1.08	0.82	1.00	0.97	1.00
	Financial leverage	0.76	(0.69)	0.99	1.10	1.31

**Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from analysis)**

1 Decrease in interest coverage ratio: Mainly due to the increase in the estimated total cost of some projects this year, resulting in a decrease in gross profit margin, and a slight increase in financial cost expenses due to bank interest rate hikes, resulting in a decrease in interest coverage ratio.

2. Increase in the turnover rate of payables: the main reason is that some projects have entered the middle and high stages this year, and the increase in project progress relative to the increase in operating costs compared with the previous year has resulted in an increase in the turnover rate of payables.

3. The increase in the turnover rate of real estate, plant and equipment and the turnover rate of total assets: the main reason is that some projects have entered the middle and high stage this year, and the increase in project progress relative to the increase in operating income compared with the previous year has resulted in an increase in the turnover rate of real estate, plant and equipment and the turnover rate of total assets.

4. Decrease in return on assets, decrease in return on equity, decrease in the ratio of pre-tax net profit to paid-in capital, decrease in net profit rate and earnings per share: the main reason is that the adjustment of the estimated total cost of some projects this year caused the decline in gross profit rate to affect profit and loss, resulting in a decrease in return on assets. decrease in return on equity, decrease in the ratio of pre-tax net profit to paid-in capital, decrease in net profit rate and earnings per share.

5. Decrease in cash flow adequacy ratio: The main reason is that some accounts receivable at the end of this year were not recorded in time, resulting in less cash flow, resulting in a decrease in cash flow adequacy ratio.

6. Increase in cash reinvestment ratio: The main reason is that the cash outflow caused by the distribution of cash dividends in the previous year resulted in an increase in the cash reinvestment ratio in this year compared with the previous year.

### 6.3 Audit Committee's Report for the Most Recent Year

#### **Review Report of Audit Committee**

The Board of Directors has submitted the 2022 annual business report, financial statements and consolidated financial statements. In it of which the financial statements and consolidated financial statements have been checked by accounts Lin, Se-kai and Wen, Ya-Fang from PwC Taiwan, and an audit report was issued.

The above-mentioned business report, financial statements and consolidated financial statements, verified by the Audit Committee, was found complied with related provisions of Company Act, in accordance with requirement in Article 219, reported as above.

For your honor's approval  
Sincerely,

The 2023 General Meeting of Shareholders, Kung Sing Engineering Corporation

Audit Committee Convenor : Tu,yi- yang

Audit Committee : Chen, chin- yueh

March 14th, 2023

## **Review Report of Audit Committee**

The Board of Directors has submitted the 2022 profit and loss appropriation, verified by the Audit Committee, was found complied with related provisions of Company Act, in accordance with requirement in Article 219, reported as above.

For your honor's approval

Sincerely,

The 2023 General Meeting of Shareholders, Kung Sing Engineering Corporation

Audit Committee Convenor : Tu,yi- yang

Audit Committee : Chen, chin- yueh

May 10th, 2023

**6.4 Financial statements as of 2022 and 31 December 2021 and consolidated audit reports**

Please refer to page 177-250

**6.5 Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report**

Please refer to page 251-319

**6.6 The company and its related companies have been in the most recent year and as of the annual report, if there is any financial difficulties:None**

## VII. Review of Financial Conditions, Financial Performance, and Risk

### Management

#### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	6,452,863	6,942,930	(490,067)	(7.06)
Fixed Assets	444,037	445,373	(1,336)	(0.30)
Other Assets	428,215	413,184	15,031	3.64
<b>Total Assets</b>	<b>7,325,115</b>	<b>7,801,487</b>	<b>(476,372)</b>	<b>(6.11)</b>
Current Liabilities	1,836,832	2,216,974	(380,142)	(17.15)
Long-term Liabilities	203,894	300,397	(96,503)	(32.13)
<b>Total Liabilities</b>	<b>2,040,726</b>	<b>2,517,371</b>	<b>(476,645)</b>	<b>(18.93)</b>
Capital stock	4,922,802	4,922,802	0	0.00
Capital surplus	519	519	0	0.00
Retained Earnings	340,219	324,836	15,383	4.74
Other Adjustments	20,849	35,959	(15,110)	(42.02)
Attributable to the owners of the parent company	5,284,389	5,284,116	273	0.01
<b>Total Stockholders' Equity</b>	<b>5,284,389</b>	<b>5,284,116</b>	<b>273</b>	<b>0.01</b>
Analysis of changes in financial ratios:				
1. Decrease in non-current liabilities: Mainly due to the transfer of some long-term loans to long-term loans due in one year with the repayment conditions and the transfer of maintenance liability reserves to current liabilities as they approach maturity.				
2. Decrease in total liabilities: the main reason is that contract liabilities decreased due to the write-back of project prepayments in accordance with contract regulations.				
3. Decrease in other equity interests: mainly due to the decrease in the appraised market value of financial assets.				



## 7.2 Analysis of Financial Performance

### A. Business results comparison analysis table

Unit: NT\$ thousands

Item	Year		Difference	
	2022	2021	Amount	%
Gross Sales	4,625,514	3,607,070	1,018,444	28.23
Operating cost	(4,405,589)	(3,299,148)	(1,106,441)	33.54
Operating margin	219,925	307,922	(87,997)	(28.58)
Operating expenses	(189,836)	(237,260)	47,424	(19.99)
Operating profit	30,089	70,662	(40,573)	(57.42)
Operating income and expenses	27,723	7,604	20,119	264.58
Pre-tax net profit	57,812	78,266	(20,454)	(26.13)
Income tax expense	(47,050)	(43,979)	(3,071)	6.98
The current net profit	10,762	34,287	(23,525)	(68.61)
This issue other comprehensive income net of tax	(10,489)	(14,507)	4,018	(27.70)
Issue comprehensive income	273	19,780	(19,507)	(98.62)
Net profit attributable to owners of the parent company	10,762	35,181	(24,419)	(69.41)
Comprehensive profit attributable to owners of the parent company	273	20,674	(20,401)	(98.68)

Analysis of changes in financial ratios:

1. Increase in operating income and operating costs: Because some projects have entered the mid-to-high stage this year, the increase in project progress relative to the increase in operating income and operating costs compared with the previous year.
2. Gross operating profit, net operating profit, net profit before tax, net profit for the current period, comprehensive profit and loss for the current period, net profit attributable to the owner of the parent company, and comprehensive profit and loss attributable to the owner of the parent company all decreased compared with the previous year: the main reason is that some project estimates were adjusted this year Total cost, resulting in a decrease in gross profit margin.
3. Increase in non-operating income and expenses: mainly due to the interest income from litigation judgments obtained this year.
4. The net decrease in other comprehensive profit and loss after tax in the current period: mainly due to the evaluation of financial assets.

B. Analysis of changes in operating gross profit:

Since the company is a construction industry, it is not applicable to price analysis.

### 7.3 Analysis of Cash Flow

#### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

1. Operating activities: outflow \$223,188
2. Investing activities: inflow \$389,127
3. Financing activities: inflow \$ 51,417

Description:

1. Net cash outflow from operating activities this year: The main reason is that some accounts receivable at the end of this year were not recorded in time, resulting in an increase in outflow of funds.
2. Net cash inflow from investment activities this year: mainly due to the cancellation of project guarantees and the recovery of pledged deposits, resulting in an increase in capital inflows.
3. Net cash inflow from financing activities this year: mainly due to bank working capital loans.

#### 7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2022	2021	Variance (%)
Cash Flow Ratio (%)	(12.15%)	(7.38%)	(4.77%)
Cash Flow Adequacy Ratio (%)	117.39%	114.77%	2.62%
Cash Reinvestment Ratio (%)	(3.98%)	(3.93%)	(0.05%)
<p>Analysis of the change in increase and decrease ratio:</p> <p>Cash flow ratio: The main reason is that some accounts receivable at the end of this year were not recorded in time, resulting in an increase in outflow of funds.</p> <p>Cash flow allowable ratio: mainly due to the cancellation of project guarantees and the recovery of pledged deposits, resulting in an increase in capital inflows.</p> <p>Cash reinvestment ratio: The main reason is that this year's project enters the mid-term stage and the investment funds are relatively high, resulting in cash outflow, resulting in a decrease in the cash reinvestment ratio of this year compared with the previous year.</p>			

### 7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,881,244	(558,588)	7,258	1,315,398	-	-

#### 1. Analysis of expected cash flow changes in 2023:

##### (1) Business activities:

The estimated net cash outflow from operating activities is mainly due to the relatively high input costs of relatively large-scale projects entering the middle and high stages.

This will lead to an increase in cash outflows.

##### (2) Investment and financing activities:

Mainly due to the increase in bank working capital, resulting in net cash inflows from investment and financing activities.

### 7.4 Major Capital Expenditure Items

None.

### 7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

#### (1) Reinvestment policy:

The company's reinvestment is mainly based on the core business.

#### (2) Situation of making profits from reinvestment business:

The company's 2022 equity method appraisal recognized investment gains and losses amounted to 0 yuan.

#### (3) Investment plan for the next year:

In the coming year, the company will continue to develop the Daxin store project, and engage in investment projects such as reconstruction of old buildings and urban renewal plans.

### 7.6 Analysis of Risk Management

#### 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

##### (1) Interest rate

In 2022, the interest expenses of the Company represented 0.22% of annual revenue. Going forward, the Company will continue to carefully monitor interest rate movements, adopt proper hedging strategies, and make use of capital markets financing instruments to ensure that our financing costs are at a comparatively low level.

**(2) Foreign exchange rates**

The company is an engineering corporation, undertaking various domestic significant public constructions, the source of raw materials are mostly within the domestic market, thus impacts of exchange rate changes are minor.

**(3) Inflation**

Most of the company purchases domestically. In recent years, raw materials have risen sharply. Because the owner has subsidy for material transfer, inflation has little impact on the company's profit and working capital this year.

**7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

The company is committed to the development of the industry and is not engaged in high-risk, high-leverage investment and derivative commodity transactions. Fund loans and affiliated companies are required for operation. The endorsement guarantee is mainly required for the factors of the joint ownership of the land and is handled in accordance with relevant regulations and management methods, and it will not cause losses due to the endorsement guarantee. The company's fund loans to others and endorsement guarantees are all handled in accordance with the company's policies and corresponding measures stipulated in the "Operation Measures for Funds Loans to Others" and the "Implementation Measures for Endorsement Guarantees", and the relevant operations have been carefully implemented in consideration of risk conditions and related regulations. .

### 7.6.3 Future Research & Development Projects and Corresponding Budget

The company's relevant construction technology is independently developed by the Ministry of Works and various construction sites or imported from abroad by professional third-party manufacturers. There is no special R&D department set up, and no R&D expenses are incurred.

This year, the company undertook the Tamkang Bridge project located at the mouth of the Danshui River under the jurisdiction of the General Administration of Highways of the Ministry of Transport. This bridge is an asymmetrical single-span oblique-tensioned steel bridge design. In addition to the complex and uncertain geological topography of the riverbed, it still needs to face the northeast monsoon and typhoon for half a year. Severe weather impacts such as rising and falling tides. In addition to the design study of cable-stayed steel cables, steel bridges and 200M-high main tower columns, the construction adopts PDCA (plan, do, check, action), step by step is the camp cycle operation, and cooperates with BIM (build information model) information estimation and inspection , Committed to the integration and research of construction methods, and more advanced special construction methods.

In addition, since 2000, Taiwan's industrial structure has changed, which has led to rapid changes in the distribution of human resources throughout Taiwan.

As a result, the manpower demand of the construction industry is obviously insufficient. In view of this, how to guide the construction industry to automation, Systematization, modularization, shortening the construction period, reducing manpower, and improving efficiency; at the same time, in order to improve Management efficiency, how to digitize and informatize construction industry site management are all topics for future development.

It has been listed as future research plans stated as follows:

item	category	Technology Research Project
1	management	Research on the practical application of BIM 4D and 5D measurement in construction engineering
2	management	Research on the Application of Large Quantity Material Management Module in the Construction of Public Works System
3	design	Research on Construction Method of Steel Pipe Pile Cofferdam in Water
4	construction	Research on the Construction Method of Filling and Forming Platform Used in the

		Construction of Foundation Piles of Piers in Water
5	design	Research on using IP cement in concrete
6	design	Analysis of Optimizing the Number of Steel Formwork Sets of Bridge Pier Columns
7	construction	A Study on the Shipping and Offshore Hoisting Methods of Steel Bridge Segments
8	design	Research on Hot Dip Galvanizing Process of Galvanized Steel Bar
9	design	Research on the Construction Tower Crane of Tamkang Bridge
10	construction	Tamkang Bridge Water Steel Bridge
11	Design+ construction	Cable-stayed steel cables of Tamkang Bridge
12	construction	Research on the formwork of the tower column of the Danjiang Bridge (modeling module)
13	construction	Application and Research of Double Arch Retaining Support

#### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The company's operations follow the relevant current laws and regulations of domestic and foreign reinvestment countries. The relevant personnel usually maintain a high degree of attention to the development of domestic and foreign political and economic situations and legal changes, and the ability to respond appropriately, and should not have a significant impact on the company's financial business. The impact.

#### **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The company obtains the industrial information and has a full grasp of the newest messages circulating in the market through seminars organized by industrial and professional organizations, plus the existing outstanding technical capabilities and advantages of the basis of competition, supplemented by innovative and groundbreaking development strategies, surely will create better performances in the future.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. Aside from working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also organized numerous public welfare activities.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system.

#### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

NA

#### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

Project main raw material for steel, concrete, cement, sand, brick, in addition to part of the contract by the owners according to the feed, the main bulk of the domestic large building material can be supplied, some special materials are ordered from abroad, mostly various construction equipment purchase or lease to foreign to domestic manufacturers, and uphold sustainable business philosophy, over the years has established good relations and interaction with various third-party manufacturers, the supply situation is normal, so there is no danger of the main raw material purchase concentrated.

And the company's engineering contract, nor confined to a single nature covered the tunnel engineering, bridge engineering, MRT project, roads and general residential buildings, etc., are the source of its operating income, plus stage a letter project itself general civil engineering contract also gradually, therefore, it is in terms of operating income, there is no general risk concentrated in manufacturing sales.

#### **7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

None

**7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights**

The company does not have operate the situation changed

**7.6.12 Litigation or Non-litigation Matters**

- (1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: In terms of the construction engineering controversies, appropriate loss of all cases has been entered into the accounting book.
- (2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

**7.6.13 Other Major Risks**

None

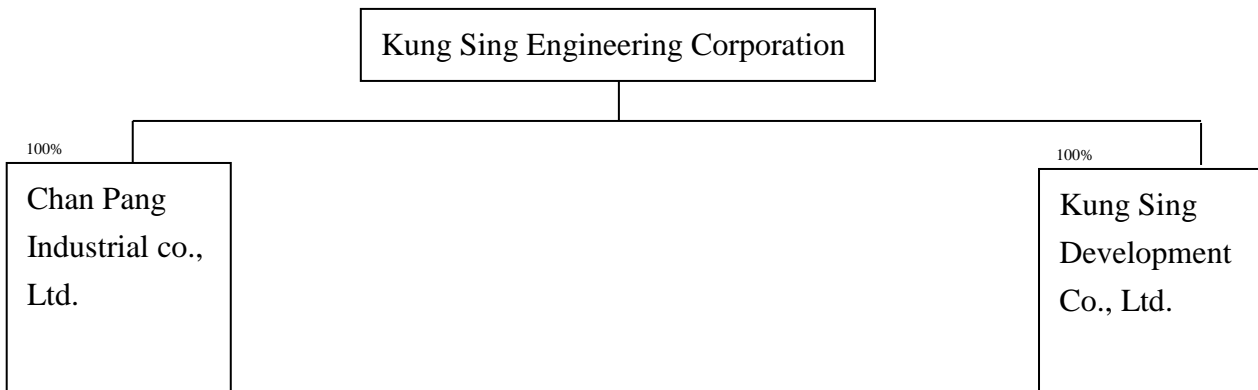
**7.7. Other important matters : None**

**VIII. Special Disclosure**

**8.1 Summary of Affiliated Companies**

8.1.1 Relationship business merger report

A.Relationship organization chart:





B. Basic information of each relationship company:

2022.12.31 ; Unit: NT\$ thousands

Company Name (Note 1)	Date of establishment	Area	Paid-up capital	Main business or Production project
Chan Pang Industrial co., Ltd.	2006.10.14	Taipei	\$ 590,000	Construction and development of buildings and houses
Kung Sing Development Co., Ltd.	2010.08.25	Taipei	\$ 700,000	Construction and development of buildings and houses

Note 1: The above-mentioned affiliated companies do not hold shares of the company.

C. Information on directors, supervisors and general managers of various related companies:

Company Name	job title	Name or representative	Holding shares	
			Number of shares	Shareholding ratio
Chan Pang Industrial co., Ltd.	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching	59,000,000	100.00
	General manager	Chiang,chi-ching	0	0.00
Kung Sing Development Co., Ltd.	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching-	70,000,000	100.00
	General manager	Chiang,chi-ching	0	0.00

D. Overview of the operations of various related companies:

2022.12.31 ; Unit: NT\$ thousands

Company Name	Paid-up capital	Total assets	Total liabilities	Net value	Operating income	Operating profit	Current profit and loss (after tax)	Earnings per share (yuan) (after tax) (Note 1)
Chan Pang Construction Co., Ltd.	590,000	831,336	6,766	824,570	-	(1,171)	(6,749)	(0.11)
Kung Sing Development Co., Ltd.	700,000	634,666	3,289	631,377	822	(6,365)	(5,086)	(0.07)

Note 1: It is calculated based on the surplus generated per share capital, not the surplus generated per share.

8.1.2 Relational financial statements of the business combination: The consolidated financial statements of the Company are consistent with the consolidated financial statements of the parent and subsidiary companies, as detailed on page 177.

**8.2 Private Placement Securities in the Most Recent Years: None**

**8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:**

None

**8.4 Other necessary supplementary notes: None**

**IX. In the most recent year and up to the date of publication of the annual report, stipulated in the second paragraph of Article 36, paragraph 2 of the Securities Exchange Act:**

None

**Kung Sing Engineering Corporation**  
**Declaration of Affiliates Consolidated Financial Statements**

For the year ended December 31, 2022, the companies required to be included in the consolidated financial statements in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies, as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the above-mentioned consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2022.

Hereby certify

Company: Kung Sing Engineering Corporation

Principal: Chen, huang-ming

March 14, 2023

## Independent Auditors' Report Translated from Chinese

To the Boards of Directors and Stockholders of Kung Sing Engineering Corporation

### Opinion

We have audited the consolidated balance sheets of Kung Sing Engineering Corporation and its subsidiaries (the "Group") as at December 31, 2022 and 2021, as well as the consolidated statements of comprehensive income, the consolidated statement of changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to *Other matter* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at December 31, 2022 and 2021, as well as its consolidated financial performance and its consolidated statement of cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities with the requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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, we do not provide a separate opinion on these

matters.

Key audit matters for the Group's consolidated financial statements for the current period are stated as follows:

### **Assessment of Construction Contract Estimated Total Cost**

#### Description

Refer to Note 4 (28) for accounting policies on construction contract revenue, Note 5 for significant judgments, accounting estimates and uncertainty of assumptions adopted in the construction contract accounting policy, and Note 6 (18) for the contract assets and liabilities of the Group were respectively NT\$1,405,840(thousand) and NT\$200,838(thousand) at December 31, 2022.

The construction income and cost of the Group is mainly generated by constructing civil projects. The accurate estimates of the construction contract result are recognized by the percentage of incurred construction cost or the owner's assessment of pricing progress accounts for the estimated total cost, or recognized gradually over time based on the milestones agreed in the contract.

Due to the estimated total cost is assessed and judged from engineering properties, estimated subcontract amount, duration, construction operation and methods by the management. It's highly uncertain, which may affect the revenue calculation of the project. Therefore, we included the assessment of construction contract estimated total cost as one of the key matters for audit.

#### Procedure

We performed the following audit procedures on the above key audit matter:

1. Evaluated the reasonableness of the policies and procedures of estimated total cost based on understanding of the industry properties and operation, including the assessment basis of the estimated total cost of the same properties construction contracts in the past.
2. Obtained the projects with significant changes in the estimated total cost for the period, reviewed the changes description. And confirmed the appropriate approval of the head of authority or obtained the supporting information of owner's changing contract agreement.
3. Selected samples of outsourced contracts, for the un-outsourced contracts, we evaluated the basis and reasonableness of estimated cost.
4. Verified the proportion of actual cost to estimated total cost and compared it with the owner's accepted completion progress to assess the reasonableness of the estimated total cost. If there was any difference, we obtained the management's description and assessed the reasonableness.

## **Achievability of Deferred Tax Assets**

### Description

Refer to Note 4 (26) for the deferred tax assets accounting policies, Note 5 for the accounting estimates of the deferred tax assets achievability and the uncertainty of assumptions, and Note 6 (25) for the deferred tax assets of the Group were NT\$41,788(thousand) at December 31, 2022. Deferred tax asset is recognized only if it is likely to be used to deduct future taxable income. The estimated future income statement and potential taxable income used to assess the achievability of deferred tax assets involved subjective judgment of the management. We consider that the judgments mentioned above are related to the prediction of future and the assumptions used are highly uncertain and the estimates have a significant impact on taxable income. Therefore, we included the achievability of deferred tax assets as one of the key matters for audit.

### Procedure

We performed the following audit procedures on the above key audit matter:

1. Obtained future operating plan and estimated income statement approved by management.
2. Compared the estimated future income statement with past results.
3. Inspected the reasonableness of the items and amount of the estimated income statements adjusted to the future taxable income.
4. Evaluated the achievability of deferred tax assets by comparing the estimated taxable income with the tax loss of the past year.

## **Other Matters-Audits of the Other Independent Accountants**

We did not audit the financial statements of all subsidiaries of the Group for the years ended December 31, 2022 and 2021, but audited by other independent accountants. Therefore, the amount of financial statements and the relevant information disclosed in Note 13 and our opinions expressed herein is based solely on the audit report of the other independent accountants. Total assets of the subsidiary amounted to NT\$634,666 thousand and NT\$639,090 thousand, constituting of 8.7% and 8.2% of consolidated total assets at December 31, 2022 and 2021, respectively, and the net operating revenue amounted to NT\$822 thousand and NT\$56,838 thousand, constituting of 0.02% and 1.6% of net consolidated operating revenue for the years then ended, respectively.

## **Other Matters-Parent Company Only Financial Reports**

We have audited and expressed an unqualified opinion on the parent company only financial statements of Kung Sing Engineering Corporation as at and for the years ended December 31, 2022 and 2021.

## **Responsibilities of Management and those Charged with Governance for Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the "Regulations for the Preparation of Financial Reports by Issuers of Securities" and the approved and issued effective International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations by the Financial Supervisory Committee and Management. Such internal controls are determined to be necessary so that the consolidated financial statements are prepared 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.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GASS will always detect a material misstatement 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 ROC GASS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of misstatement of consolidated financial statements whether due to fraud or error, design and perform appropriate countermeasures for the 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 of relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control.
3. Evaluate the appropriateness of the 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 Group's ability of to continue as a going concern. If we concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure 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 auditor's 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 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 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 the group audit, and concluding audit opinions on consolidated financial statements.

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 provided those charged with governance with a statement that we have complied with the 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 statement of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Accountant

Lin, Se-kai

Wen, Ya-fang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

**Kung Sing Engineering Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2022 and 2021**  
(Expressed in thousands of New Taiwan dollars)

Assets		Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,881,244	26	\$ 1,663,888	21
1110	Financial assets at fair value through profit or loss - current	6(2)	20,366	-	-	-
1136	Financial assets at amortised cost - current	6(3),8	1,795,506	25	2,288,784	30
1140	Contract assets-current	6(18)	1,405,840	19	1,814,033	23
1170	Accounts receivable, net		172,494	2	210	-
1200	Other receivables	7	95,474	1	86,343	1
1220	Current tax assets		129	-	3,885	-
130X	Inventories	6(4)	417,712	6	417,712	6
1410	Prepayments		49,841	1	56,157	1
1460	Non-current assets for sale, net	6(9)	-	-	25,153	-
1479	Other current assets-other		21,000	-	21,000	-
1482	Fulfilling contract cost-net current	6(5)	593,257	8	565,765	7
11XX	<b>Total current assets</b>		<u>6,452,863</u>	<u>88</u>	<u>6,942,930</u>	<u>89</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income-non-current	6(6), 6(7),	77,345	1	92,455	1
1600	Property, plant and equipment	8	444,037	6	445,373	6
1755	Right-of-use assets	6(8)	41,055	1	41,172	1
1760	Investment property, net	6(9), 8	155,060	2	156,801	2
1780	Intangible assets		5,091	-	2,088	-
1840	Deferred income tax assets	6(25), 6(10),	41,788	1	88,270	1
1900	Other non-current assets	(13)	107,876	1	32,398	-
15XX	<b>Total non-current assets</b>		<u>872,252</u>	<u>12</u>	<u>858,557</u>	<u>11</u>
1XXX	<b>Total assets</b>		<u>\$ 7,325,115</u>	<u>100</u>	<u>\$ 7,801,487</u>	<u>100</u>

(Continued)

**Kung Sing Engineering Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2022 and 2021**

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11)	\$ 310,000	4	\$ 390,000	5
2130	Contract liabilities-current	6(18)	200,838	3	779,814	10
2150	Notes payable		437,835	6	252,085	3
2170	Accounts payable		495,027	7	633,654	8
2200	Other payables		41,999	-	36,953	1
2230	Current income tax liabilities		1,005	-	10,590	-
2250	Provisions for liabilities-current	6(13)	43,416	1	7,132	-
2280	Lease liabilities-current		14,541	-	14,410	-
2300	Other current liabilities	6(12),7	292,171	4	92,336	1
21XX	<b>Total current liabilities</b>		<u>1,836,832</u>	<u>25</u>	<u>2,216,974</u>	<u>28</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(12)	62,556	1	100,000	1
2550	Provisions for liabilities-non-current	6(13)	75,041	1	110,294	2
2570	Deferred income tax liabilities	6(25)	332	-	-	-
2580	Lease liabilities-non-current		27,190	-	27,339	-
2600	Other non-current liabilities		38,775	1	62,764	1
25XX	<b>Total non-current liabilities</b>		<u>203,894</u>	<u>3</u>	<u>300,397</u>	<u>4</u>
2XXX	<b>Total liabilities</b>		<u>2,040,726</u>	<u>28</u>	<u>2,517,371</u>	<u>32</u>
<b>Equity</b>						
Share capital		6(15)				
3110	Common stock		4,922,802	67	4,922,802	63
Capital surplus		6(16)				
3200	Capital surplus		519	-	519	-
Retained earnings		6(17)				
3310	statutory surplus reserve		83,054	1	79,967	1
3350	Undistributed earnings		257,165	4	244,869	3
Other equity						
3400	Other equity		20,849	-	35,959	1
31XX	<b>Total equity attributable to owners of the parent</b>		<u>5,284,389</u>	<u>72</u>	<u>5,284,116</u>	<u>68</u>
3XXX	<b>Total equity</b>		<u>5,284,389</u>	<u>72</u>	<u>5,284,116</u>	<u>68</u>
Significant contingent liabilities and unrecognized contract commitments		9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 7,325,115</u>	<u>100</u>	<u>\$ 7,801,487</u>	<u>100</u>

The accompanying notes are an integral part of these Individual financial statements.

**Kung Sing Engineering Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the Years Ended December 31, 2022 and 2021**

(Expressed in thousands of New Taiwan dollars, except losses per share amounts)

Items	Note	Years ended December 31			
		2022		2021	
		Account	%	Account	%
4000 Operating revenue	6(18)	\$ 4,625,514	100	\$ 3,607,070	100
5000 Operating cost	6(23)(24)	( 4,405,589)	( 95)	( 3,299,148)	( 91)
5900 Gross profit		<u>219,925</u>	<u>5</u>	<u>307,922</u>	<u>9</u>
Operating expenses	6(23)(24)				
6100 Selling expenses		( 2,020)	-	( 2,057)	-
6200 General and administrative expenses		( 173,616)	( 4)	( 173,534)	( 5)
6450 Expected credit impairment loss	6(18),12(2)	( 14,200)	-	( 61,669)	( 2)
6000 Total operating expenses		<u>( 189,836)</u>	<u>( 4)</u>	<u>( 237,260)</u>	<u>( 7)</u>
6900 Operating income		<u>30,089</u>	<u>1</u>	<u>70,662</u>	<u>2</u>
Non-operating income and expenses					
7100 Interest income	6(19)	31,957	-	1,999	-
7010 Other income	6(20)	18,019	-	23,159	-
7020 Other gains and losses	6(21)	( 11,955)	-	( 10,997)	-
7050 Financial costs	6(22)	( 10,298)	-	( 6,557)	-
7000 Total non-operating income and expenses		<u>27,723</u>	<u>-</u>	<u>7,604</u>	<u>-</u>
7900 <b>Net profit (loss) before tax</b>		<u>57,812</u>	<u>1</u>	<u>78,266</u>	<u>2</u>
7950 Income tax expenses	6(25)	( 47,050)	( 1)	( 43,979)	( 1)
8200 <b>Net profit (loss) for the period</b>		<u>\$ 10,762</u>	<u>-</u>	<u>\$ 34,287</u>	<u>1</u>
<b>Other comprehensive income, net</b>					
<b>Components of other comprehensive</b>					
<b>income that will not be reclassified to profit</b>					
<b>or loss</b>					
8311 Remeasurements of defined benefit plans	6(14)	\$ 5,776	-	(\$ 142)	-
Unrealized gains and losses from investments in equity instruments measured at fair value through other					
8316 comprehensive income	6(6)	( 15,110)	-	( 14,393)	-
Income tax of related to components of other comprehensive income that will not					
8349 be reclassified to profit or loss	6(25)	( 1,155)	-	28	-
8300 <b>Other comprehensive income (net)</b>		<u>(\$ 10,489)</u>	<u>-</u>	<u>(\$ 14,507)</u>	<u>-</u>
8500 <b>Total comprehensive income for the period</b>		<u>\$ 273</u>	<u>-</u>	<u>\$ 19,780</u>	<u>1</u>
Net profit (loss) attributable to:					
8610 Owners of the parent		<u>\$ 10,762</u>	<u>-</u>	<u>\$ 35,181</u>	<u>1</u>
8620 Non-controlling equity		<u>\$ -</u>	<u>-</u>	<u>(\$ 894)</u>	<u>-</u>
Total comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 273</u>	<u>-</u>	<u>\$ 20,674</u>	<u>1</u>
8720 Non-controlling equity		<u>\$ -</u>	<u>-</u>	<u>(\$ 894)</u>	<u>-</u>
9750 Basic earnings (losses) per share	6(26)	<u>\$ 0.02</u>		<u>\$ 0.07</u>	
9850 Diluted earnings (losses) per share	6(26)	<u>\$ 0.02</u>		<u>\$ 0.07</u>	

The accompanying notes are an integral part of these Individual financial statements.

**Kung Sing Engineering Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the Years Ended December 31, 2022 and 2021**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent									
	Note	Common stock	Retained earnings			Unrealized gains and losses from financial assets at fair value through other comprehensive income	Total	Non-controlling equity	Total equity
			capital reserve	statutory surplus reserve	Undistributed earnings				
<b>For the year ended December 31, 2021</b>									
Balance at January 1, 2021		\$ 4,475,274	\$ 519	\$ -	\$ 799,673	\$ 46,802	\$ 5,322,268	\$ 253,646	\$ 5,575,914
Net profit for the period		-	-	-	35,181	-	35,181	( 894)	34,287
Other comprehensive income for the period	6(6)	-	-	-	( 114)	( 14,393)	( 14,507)	-	( 14,507)
Total comprehensive income for the period		-	-	-	35,067	( 14,393)	20,674	( 894)	19,780
Earnings Appropriation and Distribution:	6(17)								
Appropriation of statutory surplus reserve		-	-	79,967	( 79,967)	-	-	-	-
Common stock cash dividend		-	-	-	( 58,178)	-	( 58,178)	-	( 58,178)
common stock dividends		447,528	-	-	( 447,528)	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive profit or loss		-	-	-	( 3,550)	3,550	-	-	-
The difference between the actual acquisition or disposal of the equity price of the subsidiary company and the book value	6(29)	-	-	-	( 648)	-	( 648)	-	( 648)
Changes in non-controlling interests	6(29)	-	-	-	-	-	-	( 252,752)	( 252,752)
Balance at December 31, 2021		<u>\$ 4,922,802</u>	<u>\$ 519</u>	<u>\$ 79,967</u>	<u>\$ 244,869</u>	<u>\$ 35,959</u>	<u>\$ 5,284,116</u>	<u>\$ -</u>	<u>\$ 5,284,116</u>
<b>For the year ended December 31, 2022</b>									
Balance at January 1, 2022		\$ 4,922,802	\$ 519	\$ 79,967	\$ 244,869	\$ 35,959	\$ 5,284,116	\$ -	\$ 5,284,116
Net loss for the period		-	-	-	10,762	-	10,762	-	10,762

Other comprehensive income for the period	6(6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,621</u>	<u>( 15,110)</u>	<u>( 10,489)</u>	<u>-</u>	<u>( 10,489)</u>
Total comprehensive income for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>15,383</u>	<u>( 15,110)</u>	<u>273</u>	<u>-</u>	<u>273</u>
Earnings Appropriation and Distribution:	6(17)								
Reversal of special reserve		<u>-</u>	<u>-</u>	<u>3,087</u>	<u>( 3,087)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022		<u>\$ 4,922,802</u>	<u>\$ 519</u>	<u>\$ 83,054</u>	<u>\$ 257,165</u>	<u>\$ 20,849</u>	<u>\$ 5,284,389</u>	<u>\$ -</u>	<u>\$ 5,284,389</u>

The accompanying notes are an integral part of these individual financial statements.

Kung Sing Engineering Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021  
(Expressed in thousands of New Taiwan dollars)

	Note	For the years ended December 31	
		2022	2021
<u>Cash Flows from Operating Activities</u>			
Net profit before tax		\$ 57,812	\$ 78,266
Adjustments			
Adjustments to reconcile profit			
Valuation of losses on financial assets at fair value through profit or loss	6(21)	9,077	-
Depreciation (including right-of-use assets and investment property)	6(21)(23)	36,748	30,677
Amortization	6(23)	2,000	2,174
Expected credit impairment loss	12(2)	14,200	61,669
Interest expense	6(22)	10,298	6,557
Interest income	6(19)	( 31,957)	( 1,999)
Dividend income	6(20)	( 8,727)	( 3,363)
Impairment loss on property, plant and equipment	6(21)	1,919	9,762
Gains on disposal of property, plant and equipment	6(21)	-	( 667)
Reversal gains on investment property impairment	6(21)	-	( 1,053)
Gains on rent concessions	6(20)	( 180)	( 154)
Lease Modification Benefit	6(8)	( 34)	( 6)
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets		393,993	305,709
Accounts receivable		( 172,284)	( 210)
Other receivables		( 9,111)	9,079
Inventories		-	45,654
Prepayments		6,356	( 3,703)
Other current assets		-	( 116)
Cost of fulfilling contracts		( 27,492)	( 21,006)
Net changes in operating liabilities			
Contract liabilities		( 578,976)	( 480,091)
Notes payable		185,750	( 77,786)
Accounts payable		( 138,627)	( 8,790)
Other payables		4,616	( 40,542)
Provisions for liabilities		1,031	( 68,195)
Other current liabilities		227	( 438)
Net defined benefit liabilities		( 3,543)	( 3,329)
Cash outflows generated from operations		( 246,904)	( 161,901)
Interest received		31,937	1,980
Interest paid		( 9,688)	( 6,831)
Dividend received		8,727	3,363
Income tax paid		( 11,077)	( 168)
Income tax refunded		3,817	-
Net cash outflows from operating activities		( 223,188)	( 163,557)

(Continued)

Kung Sing Engineering Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2022	2021
<u>Cash Flows From Investing Activities</u>			
Acquisition of financial assets at fair value through profit or loss		(\$52,945)	\$ -
Disposal of financial assets at fair value through profit or loss		23,502	-
Disposal of financial assets at fair value through other comprehensive profit or loss	6(6)	-	6,450
To acquire financial assets at amortised cost		( 2,311,687)	( 2,807,643)
Disposal of financial assets acquired at amortized cost		2,804,965	2,470,779
Proceeds from acquisition of property, plant and equipment	6(27)	( 45,627)	( 25,283)
Proceeds from disposal of property, plant and equipment		-	667
Proceeds from acquisition of intangible assets	6(27)	( 3,391)	( 1,518)
Margin deposits increase		( 181,709)	( 114,505)
Margin deposits decrease		130,866	261,153
Decrease in other non-current assets		-	6,510
Disposal of non-current assets to be sold		25,153	
Obtaining the equity price of the subsidiary		-	( 253,400)
Net cash inflows (outflows) from investing activities		<u>389,127</u>	<u>( 456,790)</u>
<u>Cash Flows From Financing Activities</u>			
Borrow short-term borrowings	6(28)	880,000	465,000
Repayment of short-term borrowings	6(28)	( 960,000)	( 140,000)
Borrow long-term borrowings	6(28)	70,611	100,000
Repayment of long-term borrowings	6(28)	( 75,500)	( 4,609)
Increase in deposits received	6(28)	340,952	36,837
Decrease in deposits received	6(28)	( 190,213)	( 27,344)
Lease liability principal payments	6(28)	( 14,415)	( 12,242)
Pay cash dividends	6(17)(28)	-	( 58,178)
Net cash inflows from financing activities		<u>51,417</u>	<u>359,464</u>
Increase (Decrease) in cash and cash equivalents for the period		217,356	( 260,883)
Cash and cash equivalents balance at beginning of the period		<u>1,663,888</u>	<u>1,924,771</u>
Cash and cash equivalents balance at end of the period		<u>\$ 1,881,244</u>	<u>\$ 1,663,888</u>

The accompanying notes are an integral part of these individual financial statements.



Kung Sing Engineering Corporation and Subsidiaries  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. History of the Company

- (1) Kung Sing Engineering Corporation (the "Company") was established in February 1947. The main business activities of the Company and its subsidiaries (the "Group") are the construction and repairing of roads and bridges as well as development of house and building.
- (2) The Company's shares had been listed and traded on Taipei Exchange since November 18, 1999 and was officially terminated on December 18, 2012 then have been listed and traded on the Taiwan Stock Exchange.

2. The Date and Procedure of Authorization for Issuance of the Financial Statements

The consolidated financial statements were reported to and issued by the Board of Directors on March 14, 2023.

3. Application of New Standards, Amendments and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, "Index to Conceptual Framework"	January 1, 2022
Amendments to IAS 16, " Real property, plant and equipment: the price before reaching the intended state of use"	January 1, 2022
Amendments to IAS 37, "Onerous contract - cost of fulfilling the contract"	January 1, 2022
Annual Improvement for 2018-2020 Cycle	January 1, 2022

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, "Accounting policy disclosure"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12, "Deferred income tax relating to assets and liabilities arising from a single transaction"	January 1, 2023

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined by International Accounting Standards Board
Amendments to IFRS 16, "Lease liabilities in sale and leaseback"	January 1, 2024
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS 1, "Classification of Current or Non-current Liabilities"	January 1, 2024
Amendments to IAS 1, "Non-current liabilities with contractual terms"	January 1, 2024

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

#### 4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

##### (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- a. Financial assets at fair value through profit or loss.
  - b. Financial assets at fair value through other comprehensive income.
  - c. Defined benefit liabilities recognized based on the net amount of pension plan assets deduct present value of defined benefit obligation
- B. The preparation of financial statements in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

- A. Basis for preparation of the consolidated financial statements
- a. All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - b. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - c. Components of profit and loss and other comprehensive income are attributable to the parent company’s owners and non-controlling equity; the total comprehensive income is also attributable to the parent company’s owners and non-controlling equity, even if it leads to a loss balance of non-controlling equity.
  - d. When the Group loses the control of the subsidiary, the remaining investment in the previous subsidiary is remeasured at fair value and recognized in the fair value of the originally recognized financial assets or the

cost of the originally recognized investment affiliate or joint venture. The difference between fair value and book value is recognized in current profit and loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as the basis for the Group to directly dispose of the related assets or liabilities, that is, if the profits or losses previously recognized in other comprehensive income will be reclassified as profit or loss when the related assets or liabilities are disposed of. When the Group loses the control of the subsidiary, the Group will reclassify the profit or loss from equity to profits or losses.

B. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Business nature	Ownership (%)		Note
			December 31, 2022	December 31, 2021	
The Company	Chan Pang Industrial Co., Ltd.	Houses and buildings development, leasing and investment	100	100	
As above	Kung Sing Development Co., Ltd.	Houses and buildings development, leasing and investment	100	100	

C. Subsidiaries not included in the consolidated financial statements

None.

D. Adjustments for subsidiaries with different balance sheet dates

None.

E. Significant restrictions on subsidiaries' ability to transfer funds to parent company

None.

F. Subsidiaries that have non-controlling equity that are material to the Group

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation at the balance sheet date are recognized in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are

recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- D. All foreign exchange gains and losses are presented in the comprehensive income statement within “other gains and losses”.

(5) Classification of current and non-current items

As the operating cycle for construction contracts usually exceeds one year, the Group uses the operating cycle as its criteria for classifying current and non-current assets and liabilities related to construction contracts. For other assets and liabilities, the criterion is one year:

- A. Assets that meet one of the following criteria are classified as current assets:

- a. Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- b. Assets held mainly for trading purposes;
- c. Assets that are expected to be realized within twelve months from the balance sheet date;
- d. Cash and cash equivalents, excluding restricted cash that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Those that do not meet the above-mentioned criteria are classified as non-current assets.

- B. Liabilities that meet one of the following criteria are classified as current liabilities:

- a. Liabilities that are expected to be settled within the normal operating cycle;
- b. Liabilities arising mainly from trading purposes;
- c. Liabilities that are to be settled within twelve months from the balance sheet date;
- d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

Those that do not meet the above-mentioned criteria are classified as non-current liabilities.

(6) Cash equivalents

Equivalent cash refers to short-term and highly liquid investments that can be converted into fixed amounts of cash at any time with minimal risk of value changes (including fixed deposits within 12 months of the contract period)

(7) Financial assets at fair value through profit or loss

- A. These are financial assets that are not measured at amortized cost or at fair value through other comprehensive profit or loss.
- B. The Group uses transaction date accounting for financial assets measured at fair value through profit or loss that conform to customary transactions.

- C. The Group measures it at fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss, and subsequently measured at fair value, with the benefit or loss recognized in profit or loss.
- D. When the right to receive dividends is established, the economic benefits related to the dividends are likely to flow in, and the amount of dividends can be measured reliably, the Group recognizes dividend income in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized in revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets measured at amortised cost

- A. Refers to those who meet the following conditions at the same time:
  - a. The financial asset is held under an operating model whose purpose is to collect contractual cash flows.
  - b. The contractual terms of the financial asset generate cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.
- B. The Group uses trade date accounting for financial assets measured at amortised cost in accordance with trading conventions.
- C. The Group measures its fair value plus transaction costs at the time of original recognition, and subsequently recognizes interest income and impairment losses during the circulation period using the effective interest method and amortization procedure. Losses are recognised in profit or loss.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to unconditionally receive consideration in exchange for transferred goods or services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into

consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leasing arrangements (lessor)-operating lease

During the lease term, the gains of operating lease deduct incentives given to lessee is recognized in current income on a straight-line basis over the lease term.

(14) Inventory

- A. The land held for construction site and the construction in progress are initially recorded at cost. The land held for construction site is transferred to the construction in progress when it is actively developed, and the interest is capitalized during the period from the time of active development or construction work to the completion date.
- B. At the end of the period, we adopt the item-by-item comparison method to compare the cost to the net realizable value. The net realizable value is the balance, under normal circumstances, the estimated selling price deducts the costs and the sales expenses still required to complete the construction.

(15) Non-current assets for sale (or disposal groups)

Non-current assets for sale (or disposal groups) are classified as assets for sale when the carrying amount is mainly recovered through sales transactions rather than continuously use and highly likely to be sold, and is decided by the amount of book value or fair value deducts cost of sale.

(16) Property, plant and equipment

- A. Property, plant and equipment are recorded on an acquisition cost basis.
- B. Subsequent costs are included in the asset's carrying amount or recognized in a separate, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land, property, plant and equipment apply cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Building and structure	37-53 years
Machine equipment	3-7 years
Transportation Equipment	4-6 years
Other equipment	3-9 years

(17) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

- A. Lease assets are recognized in a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized in expense on a straight-line basis over the lease term.
- B. Lease liabilities are recognized at present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments conclude:
- (a) Fixed payments deducts any lease incentives receivable.
  - (b) Variable lease payments depend on an index or a rate.
- The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost, including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized in an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(18) Investment property

The investment property is stated initially at cost and measured subsequently by cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 or 53 years.

(19) Intangible assets



Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3-5 years.

(20) Impairment of non-financial assets

The Group assesses the recoverable amounts of those assets where there is an indication that they are impaired at each balance sheet date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value deducts costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(21) Borrowings

Borrowings are long-term and short-term borrowings from bank. Borrowings are recognized initially at fair value deducts transaction costs. Subsequently, for any difference between the proceeds after deduction of transaction costs and the redemption value is recognized in interest expense in profit or loss by effective interest method during amortization process in circulation period.

(22) Notes and accounts payable

- A. Accounts payable are liabilities for purchasing of raw materials, goods or services and notes payable those resulting from operating and non-operating activities.
- B. The short-term accounts and notes payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(23) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) Provisions for liabilities

Provisions (including warranty liabilities, onerous contract, contingent liabilities of lawsuit, etc.) are recognized when the Group has a present legal or constructive obligation due to past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions for liabilities are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. Provisions for liabilities are not recognized for future operating losses.

(25) Employee benefits

- A. Short-term employee benefits  
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized in expense in that period when the employees render service.

B. Pensions

a. Defined contribution plans

The contributions are recognized in pension expense when they are due on an accrual basis. Prepaid contributions are recognized in an asset to the extent of a cash refund or a reduction in the future payments.

b. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date deducts the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the consolidated balance sheet date).

(b) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Prior period service costs are recognized immediately in profit or loss.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized in expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. In addition, some employee are paid by stock, and the basis for calculating the number of shares is the closing price of the day before the resolution date of the Board of Directors.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. The deferred income tax is

not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(27) Common stock capital

Common stocks are classified as equity and directly attributable to incremental costs of issuing of new shares. The net amount after deducting income tax is recognized in the equity as a proceeds deduction.

(28) Revenue recognition

- A. Project revenue from construction contracts
  - a. The Group is engaged in civil projects construction. As the assets have been controlled by customers, the income is recognized gradually on the basis of the proportion of the engineering valuation and estimation progress to the total contract proceeds or contract milestones. When the completion of the contract performance obligations cannot be reasonably measured, contract revenue is only recognized within the scope of predictably recoverable cost.
  - b. Contract is composed of fixed price and variable consideration. Variable consideration (such as contract change order, subsidy or incentive calculated by the days of construction period extension) is estimated by the expected value or the most likely amount based on the past experience. The Group only recognizes the contract revenue when the amount is highly likely not to be material reversal. The customers pay the contract proceed according to the agreed payment schedule, when the service provided by the Group exceeds the payables, the Group recognizes the contract revenue. When the payables exceed the service provided by the Group, the Group recognizes the contract revenue liabilities.
  - c. The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever

there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

d. Cost of customer contract

When the cost and contract generated from fulfilling the customer contract, or the identifiable, and predictably recoverable resources can be expected to satisfy performance obligations in the future, the Group recognizes the cost of fulfilling the contract as assets

B. Land development, housing construction and sale

a. The Group operates land development and housing construction recognizes profit when the control of real estate is transferred to customers. As for the sale contract, until the transfer of the legal ownership of the real estate to the customer, the Group has an enforceable right to the contract payment. Therefore, profit is recognized at the timing when the legal ownership is transferred to the customer.

b. Profit is measured by the amount agreed in the contract. The customer pays the contract proceed when the legal ownership of the real estate is transferred. In rare cases, the Group has agreed with customers to defer the payment time, but the deferred repayment period does not exceed 12 months. Judging that the contract does not have a significant financial component, so the consideration amount will not be adjusted.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of the consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Construction contract

The management assesses and judges estimated total cost and contract items by the characteristics of different projects, the estimated procurement amount, the construction period and the construction method. In case of changes in contract work, subsidies and incentives for construction period extension, the recognized construction revenue may be affected. The transaction proceeds of unfulfilled obligation of the Group's construction contract are described in Note 6 (18).

(2) The achievability of deferred income tax assets

Deferred tax asset is recognized only if it is likely to be sufficient taxable income used to deduct temporary differences. The assumptions about expected future revenue growth, profit margin and available income tax credits used to assess the achievability of deferred tax assets involved subjective judgment of the management. Any change regarding economic environment and law may cause significant adjustments to deferred income tax assets.

As at December 31, 2022, the deferred income tax assets recognized by the Group amounted to NT\$41,788.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Check deposits and demand deposits	\$ 1,868,324	\$ 1,639,525
Cash on hand and revolving funds	12,920	6,363
Fixed deposit	-	18,000
	<u>\$ 1,881,244</u>	<u>\$ 1,663,888</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. There has no cash and cash equivalents pledged to others.

### (2) Financial assets at fair value through profit or loss – current (2021:None)

	<u>December 31, 2022</u>
Mandatory financial assets at fair value through profit or loss	
Listed company stock	\$ 30,793
Evaluation Adjustment	( 10,427)
	<u>\$ 20,366</u>

- A. The Group's financial assets measured at fair value through profit or loss were recognized as net (loss) in profit or loss in 2022 by NT(\$6,961).
- B. The financial assets measured at fair value through profit or loss held by the Group have not been provided as pledge guarantees.
- C. Please refer to Note 12 (2) for information on the credit risk information of financial assets measured at fair value through profit or loss.

### (3) Financial assets at amortised cost - current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Reserve account deposits	\$ 1,570,091	\$ 2,223,000
pledged time deposit	225,415	65,784
	<u>\$ 1,795,506</u>	<u>\$ 2,288,784</u>

- A. The breakdown of financial assets measured at amortised cost recognised in profit or loss is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
interest income	\$ 3,187	\$ 1,232

- B. Without considering other credit enhancements, the exposure amount that best represents the Group's holdings of financial assets with the greatest credit risk measured at amortized cost is its book value.
- C. Please refer to Note 8 for details on the circumstances in which the Group provides financial assets measured at amortized cost as pledges.
- D. Please refer to Note 12(2) for information on the credit risk of financial assets measured by amortized cost.

(4) Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings and land held for sale	\$ 352,392	\$ 352,392
Construction in progress	65,320	65,320
	<u>\$ 417,712</u>	<u>\$ 417,712</u>

- A. The Group's interest capital amounts for 2022 and 2021 are NT\$0 and NT\$45,654, respectively.
- B. The Group's inventories are not provided as a guarantee.

(5) Cost of fulfilling contracts

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayment for materials and construction	\$ 514,827	\$ 493,608
Prepayment for construction insurance	78,430	72,157
	<u>\$ 593,257</u>	<u>\$ 565,765</u>

(6) Financial assets at fair value through other comprehensive income–non-current

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instruments		
Non-listed stocks	\$ 56,496	\$ 56,496
Valuation adjustments	20,849	35,959
	<u>\$ 77,345</u>	<u>\$ 92,455</u>

- A. The Group chooses to classify the equity instruments of strategic investment as financial assets at fair value through other comprehensive income. The fair value of the investments at December 31, 2022 and 2021 were NT\$77,345 and NT\$92,455, respectively.
- B. Due to investment synergy and market environment considerations, the Group disposed of equity securities in 2022 and 2021, and recognized the disposal (gains) as NT\$0 and NT(\$3,550), respectively.
- C. The details of the equity instruments recognized in comprehensive profit or loss at fair value through other comprehensive profit or loss are as follows:

	<u>For the year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Fair value change recognized in other comprehensive income	<u>(\$ 15,110)</u>	<u>(\$ 14,393)</u>
Cumulative gains or losses reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>\$ 3,550</u>
Dividend profit recognized in profit or loss held at end of period	<u>\$ 6,611</u>	<u>\$ 3,363</u>

- D. The credit risk related information of the financial assets at fair value through other comprehensive income is described in Note 12 (2).

(7) Property, Plant and Equipment

	2022				
	Land	Buildings and structures	Machinery equipment	Transport and other equipment	Total
January 1					
Cost	\$ 342,826	\$ 245,307	\$ 15,404	\$ 27,638	\$ 631,175
Accumulated depreciation and impairment	( 79,322)	( 93,362)	( 4,172)	( 8,946)	( 185,802)
	<u>\$ 263,504</u>	<u>\$ 151,945</u>	<u>\$ 11,232</u>	<u>\$ 18,692</u>	<u>\$ 445,373</u>
January 1	\$ 263,504	\$ 151,945	\$ 11,232	\$ 18,692	\$ 445,373
Additions	-	3,434	916	16,692	21,042
Depreciation expense	-	( 9,349)	( 4,418)	( 6,692)	( 20,459)
Impairment losses	-	( 1,919)	-	-	( 1,919)
December 31	<u>\$ 263,504</u>	<u>\$ 144,111</u>	<u>\$ 7,730</u>	<u>\$ 28,692</u>	<u>\$ 444,037</u>
December 31					
Cost	\$ 342,826	\$ 248,741	\$ 16,320	\$ 44,330	\$ 652,217
Accumulated depreciation and impairment	( 79,322)	( 104,630)	( 8,590)	( 15,638)	( 208,180)
	<u>\$ 263,504</u>	<u>\$ 144,111</u>	<u>\$ 7,730</u>	<u>\$ 28,692</u>	<u>\$ 444,037</u>
	2021				
	Land	Buildings and structures	Machinery equipment	Transport and other equipment	Total
January 1					
Cost	\$ 342,826	\$ 245,307	\$ 24,853	\$ 25,101	\$ 638,087
Accumulated depreciation and impairment	( 68,617)	( 84,901)	( 21,747)	( 17,090)	( 192,355)
	<u>\$ 274,209</u>	<u>\$ 160,406</u>	<u>\$ 3,106</u>	<u>\$ 8,011</u>	<u>\$ 445,732</u>
January 1	\$ 274,209	\$ 160,406	\$ 3,106	\$ 8,011	\$ 445,732
Additions	-	-	10,824	14,459	25,283
Depreciation expense	-	( 9,404)	( 2,698)	( 3,778)	( 15,880)
Disposals-cost	-	-	( 20,273)	( 11,922)	( 32,195)
Disposals-accumulated depreciation	-	-	20,273	11,922	32,195
Impairment losses	( 10,705)	943	-	-	( 9,762)
December 31	<u>\$ 263,504</u>	<u>\$ 151,945</u>	<u>\$ 11,232</u>	<u>\$ 18,692</u>	<u>\$ 445,373</u>
December 31					
Cost	\$ 342,826	\$ 245,307	\$ 15,404	\$ 27,638	\$ 631,175
Accumulated depreciation and impairment	( 79,322)	( 93,362)	( 4,172)	( 8,946)	( 185,802)
	<u>\$ 263,504</u>	<u>\$ 151,945</u>	<u>\$ 11,232</u>	<u>\$ 18,692</u>	<u>\$ 445,373</u>

- A. The Group uses fair value as the recoverable amount for impairment testing. The Group refers to the evaluation results of independent evaluation experts, the estimated recoverable amount of land, housing and structure is less than the book amount for the year ended December 31, 2022 and 2021. Therefore, the Group recognized impairment losses amounted to NT\$1,919 and NT\$ 9,762.
- B. The property, plant and equipment held by the Group were the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, cost method or income method and classified as the level 3 fair value. The main assumption of the income approach is as follows:
- |                            | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------|--------------------------|--------------------------|
| Income capitalization rate | 1.79%                    | 1.59%                    |
- C. Please refer to Note 8 for the information on the Group's collateral provided by property, plant and equipment.

(8) Leasing arrangements – lessee

- A. The Group leases various assets, including lands, buildings and transportation equipment. Lease contracts are typically made for periods of 2-9 years. Lease terms are negotiated on an individual basis and contain a wide range of different clauses and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The lease period of the machinery equipment and transportation equipment leased by the Group does not over 12 months. Some of the leased assets that are low-value targets, including machinery equipment, transportation equipment and multi-function office machines.
- C. The changes of right-of-use assets are as follows:

	2022			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 31,019	\$ 6,199	\$ 3,954	\$ 41,172
Additions	-	7,540	11,630	19,170
Lease modification	( 4,739)	-	-	( 4,739)
Depreciation expense	( 7,210)	( 4,025)	( 3,313)	( 14,548)
December 31	\$ 19,070	\$ 9,714	\$ 12,271	\$ 41,055

	2021			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 32,743	\$ 883	\$ 2,812	\$ 36,438
Additions	6,325	7,338	3,654	17,317
Lease modification	( 159)	-	-	( 159)
Depreciation expense	( 7,890)	( 2,022)	( 2,512)	( 12,424)
December 31	\$ 31,019	\$ 6,199	\$ 3,954	\$ 41,172



D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
<u>Items affect profit or loss for the period</u>		
Interest expense on lease liabilities	\$ 721	\$ 672
Expense on short-term and low-value assets lease contracts	4,242	4,629
Lease Modification Benefit	34	6

E. The Group's total lease cash outflows for the years ended December 31, 2022 and 2021 were NT\$19,378 and NT\$17,543, respectively.

F. The Group adopts the practical expedient approach of "COVID-19 related rent concessions", and recognizes the benefits of changes in lease payments arising from rent concessions as other income in 2022 and 2021 at NT\$180 and NT\$154, respectively.

(9) Investment property

	2022		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 115,734	\$ 115,202	\$ 230,936
Accumulated depreciation and impairment	-	( 74,135)	( 74,135)
	<u>\$ 115,734</u>	<u>\$ 41,067</u>	<u>\$ 156,801</u>
January 1	\$ 115,734	\$ 41,067	\$ 156,801
Depreciation expense	-	( 1,741)	( 1,741)
December 31	<u>\$ 115,734</u>	<u>\$ 39,326</u>	<u>\$ 155,060</u>
December 31			
Cost	\$ 115,734	\$ 115,202	\$ 230,936
Accumulated depreciation and impairment	-	( 75,876)	( 75,876)
	<u>\$ 115,734</u>	<u>\$ 39,326</u>	<u>\$ 155,060</u>

	2021		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 127,734	\$ 128,355	\$ 256,089
Accumulated depreciation and impairment	-	( 72,815)	( 72,815)
	<u>\$ 127,734</u>	<u>\$ 55,540</u>	<u>\$ 183,274</u>
January 1	\$ 127,734	\$ 55,540	\$ 183,274
Transferred to the disposal group for sale	( 12,000)	( 13,153)	( 25,153)
Depreciation expense	-	( 2,373)	( 2,373)
derogation loss gyration	-	1,053	1,053
December 31	<u>\$ 115,734</u>	<u>\$ 41,067</u>	<u>\$ 156,801</u>
December 31			
Cost	\$ 115,734	\$ 115,202	\$ 230,936
Accumulated depreciation and impairment	-	( 74,135)	( 74,135)
	<u>\$ 115,734</u>	<u>\$ 41,067</u>	<u>\$ 156,801</u>

- A. The Group signed a real estate sale and purchase agreement in November 2021 to sell investment real estate located in Yongkang District, Tainan City. The total sale price is NT\$27,000. The transaction has been completed in January 2022. Ownership transfer and payment.
- B. Rental income and direct operating expense from the investment property are shown below:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Rental income from investment property	<u>\$ 2,884</u>	<u>\$ 2,758</u>
Direct operating expense arising from the investment property that generated rental income in the period	<u>\$ 2,511</u>	<u>\$ 2,416</u>
Direct operating expense arising from the investment property that did not generate rental income in the period	<u>\$ 170</u>	<u>\$ 1,045</u>

- C. The analysis of the maturity date of the lease payments leased out by the Group under operating leases is as follows:

	<u>2022</u>	<u>2021</u>
Within a year	\$ 3,103	\$ 378
Two to five years	1,550	536
	<u>\$ 4,653</u>	<u>\$ 914</u>

- D. The fair value of the investment property held by the Group at December 31, 2022 and 2021 were NT\$321,629 and NT\$310,023, respectively, based on the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, cost method, land development analysis method and income method and classified as the level 3 fair value. The main assumption of the income method is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Income capitalization rate	1.77%-1.82%	1.50%-1.97%

- E. The Group uses the fair value as the recoverable amount of the impairment test. The Group refers to the evaluation results of independent evaluation experts. Since the expected recoverable amount of some houses and buildings in 2022 and 2021 is greater than the book value, the impairment reversal benefits are recognized respectively. Total NT\$0 and NT\$1,053
- F. Please refer to Note 8 for the information on the Group's collateral provided by investment property.

(10) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Refundable deposits	\$ 81,614	\$ 30,771
prepaid equipment	24,585	1,518
Net defined benefit assets	1,662	-
Others	15	109
	<u>\$ 107,876</u>	<u>\$ 32,398</u>

Please refer to Note 8 for the information on the Group's collateral provided by restricted cash.

(11) Short-term borrowings

<u>Type</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured borrowings	\$ 160,000	\$ 240,000
Unsecured borrowings	150,000	150,000
	<u>\$ 310,000</u>	<u>\$ 390,000</u>
Interest rate range	1.90%~2.04%	1.34%~1.61%

Please refer to Note 8 for details of the pledge collateral of short-term borrowings.

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Repayment period</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Amortized from		
Medium-term secured borrowings	2022 to 2027	\$ 67,668	\$ -
	Amortized from		
“	2015 to 2022	-	72,557
Medium-term secured borrowings	After the project	100,000	100,000

	remittance ratio reaches 20%, it will be repaid in installments according to 30% of the project payment for each phase		
Subtotal		167,668	172,557
Deduct: due within one year (recognized in "Other current liabilities")		( 105,112)	( 72,557)
		\$ 62,556	\$ 100,000
Interest rate range		1.86%~2.38%	1.75%~1.80%

A. KSC067 joint loan case

a. On June 15, 2020, the Group entered into a joint credit extension agreement with nine financial institutions including Taipei Fubon Commercial Bank, including a medium-term unsecured joint loan, construction performance bond and construction prepayment repayment guarantee, with a total amount of NT\$4,000,000. Until June 30, 2025. The main restriction is that the financial ratios in the annual consolidated financial statements shall be maintained as follows:

- (a) Current ratio (current assets/ current liabilities) shall not be less than 100%.
- (b) Liabilities ratio (total liabilities/ tangible net worth) shall not be greater than 200%.
- (c) Interest protection multiples [(income before tax+ interest expense+ depreciation and amortization)/ interest expense paid in the period] shall not be less than 200%.
- (d) Tangible net worth (net value-intangible assets) shall not be less than NT\$3,500,000

b. As of December 31, 2022, the undrawn loan amount for this joint loan case was NT\$455,000, and the undrawn guarantee amount was NT\$996,064.

- B. In addition to the above-mentioned KCS067 joint loan case, the Group's unused loan limit is NT\$810,000.
- C. Please refer to Note 12 (2) C. c. for details of the liquidity risks.
- D. Please refer to Note 8 for details of the pledge collateral of long-term borrowings.

(13) Provisions for liabilities

	2022		
	Warranty	Engineering loss	Total
January 1	\$ 117,402	\$ 24	\$ 117,426
Additions in the period	1,188	-	1,188
Used and reversed in the period	( 133)	( 24)	( 157)
December 31	<u>\$ 118,457</u>	<u>\$ -</u>	<u>\$ 118,457</u>
Recognized as:			
Provisions for liabilities-current	<u>\$ 43,416</u>	<u>-</u>	<u>\$ 43,416</u>
Provisions for liabilities-non-current	<u>\$ 75,041</u>	<u>-</u>	<u>\$ 75,041</u>

	2021			
	Warranty	Litigation loss	Engineering loss	Total
January 1	\$ 154,821	\$ 30,800	\$ -	\$ 185,621
Additions in the period	30,733	-	2,644	33,377
Used and reversed in the period	( 68,152)	( 30,800)	( 2,620)	( 101,572)
December 31	<u>\$ 117,402</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 117,426</u>
Recognized as:				
Provisions for liabilities-current	<u>\$ 7,108</u>	<u>-</u>	<u>\$ 24</u>	<u>\$ 7,132</u>
Provisions for liabilities-non-current	<u>\$ 110,294</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 110,294</u>

A. Warranty

The Group's warranty provision of liabilities is mainly related to the construction contracts, and is estimated upon historical warranty data. The warranty provision of liabilities is expected to expire from 2023 to 2027.

B. Litigation loss

The Group's provision for litigation losses is mainly due to the construction contract's subcontractors and industrial safety incidents, and the most likely litigation losses are listed by the management authority after assessment and legal advice for legal litigations arising from construction-related matters. In March 2021, it paid compensation amounting to NT\$21,699 according to the judgment. The court remanded the case to the High Court for further review, but the parties to the lawsuit reached a settlement in August 2021. The Group paid NT\$2,100 to terminate the case, and based on the above results, it recognized liabilities and prepared to reverse the income of NT\$7,001.

C. Engineering loss

The Group's provision for construction losses is mainly for the performance of construction contract obligations, and the estimated input cost exceeds the contract price that can still be collected.

(14) Net defined benefit liability

A. Refined benefit plan

- a. The Company has a defined benefit pension plan in accordance with the "Labor Standards Act", covering all regular employees' service years prior to the enforcement of the "Labor Pension Act" on July 1, 2005 and service years

thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31 every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

b. Recognized amount in the balance sheet

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	(\$ 68,908)	(\$ 69,697)
Fair value of plan assets	<u>70,570</u>	<u>62,040</u>
Net defined benefit liability	<u>\$ 1,662</u>	<u>(\$ 7,657)</u>

c. Changes in net defined benefit liability

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance, January 1	(\$ 69,697)	\$ 62,040	(\$ 7,657)
Service cost for the period	( 318)	-	( 318)
Interest income (expense)	( 447)	401	( 46)
Upfront Service Cost	<u>498</u>	<u>-</u>	<u>498</u>
	<u>( 69,964)</u>	<u>62,441</u>	<u>( 7,523)</u>
Remeasurements:			
Return on plan assets	-	4,720	4,720
Changes in financial assumptions	2,709	-	2,709
Experience adjustments	<u>( 1,653)</u>	<u>-</u>	<u>( 1,653)</u>
	<u>1,056</u>	<u>4,720</u>	<u>5,776</u>
Pension fund contribution	<u>-</u>	<u>3,409</u>	<u>3,409</u>
Balance, December 31	<u>(\$ 68,908)</u>	<u>\$ 70,570</u>	<u>\$ 1,662</u>
	<u>2021</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance, January 1	(\$ 68,129)	\$ 57,285	(\$ 10,844)
Service cost for the period	( 385)	-	( 385)
Interest income (expense)	<u>( 202)</u>	<u>171</u>	<u>( 31)</u>
	<u>( 68,716)</u>	<u>57,456</u>	<u>( 11,260)</u>
Remeasurements:			
Return on plan assets	-	839	839
Changes in demographic	( 117)	-	( 117)

assumptions			
Changes in financial assumptions	1,917	-	1,917
Experience adjustments	( <u>2,781</u> )	-	( <u>2,781</u> )
	( <u>981</u> )	<u>839</u>	( <u>142</u> )
Pension fund contribution	-	<u>3,745</u>	<u>3,745</u>
Balance, December 31	<u>(\$ 69,697)</u>	<u>\$ 62,040</u>	<u>(\$ 7,657)</u>

d. The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

e. The principal actuarial assumptions used are as follows:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Discount rate	<u>1.20%</u>	<u>0.65%</u>
Future salary increase rate	<u>2.00%</u>	<u>2.00%</u>

(a) Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

(b) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,160)</u>	<u>\$ 1,192</u>	<u>\$ 1,179</u>	<u>(\$ 1,153)</u>
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,338)</u>	<u>\$ 1,378</u>	<u>\$ 1,356</u>	<u>(\$ 1,324)</u>

I. The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

II. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

f. Expected contribution to the pension plans of the Group for the year ending December 31, 2023 is NT\$974.

g. As of December 31, 2022, the weighted average duration of the pension plan is seven years. The analysis of pension paid expired date is as follows:

Less than 1 year	\$	4,161
1-2 years		6,281
2-5 years		9,681
Beyond 5 years		53,810
	\$	<u>73,933</u>

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were NT\$7,862 and NT\$7,021, respectively

(15) Common stock

A. As of December 31, 2022 and 2021, the Company's authorized capital was NT\$6,000,000, divided into 600,000 thousand shares. The paid-up capital was NT\$4,922,802. The par value per share is NT\$10. The payment of issued shares of the Company has been received.



Movements in the number of the Company's ordinary shares outstanding are as follows:

	2022 <u>(thousand shares)</u>	2021 <u>(thousand shares)</u>
January 1	492,280	447,527
Turn surplus into capital increase	-	44,753
December 31	<u>492,280</u>	<u>492,280</u>

- B. On July 22, 2021, the company passed the resolution of the shareholders' meeting to transfer the capital with the undistributed surplus of NT\$447,528. The above-mentioned capital increase project has been registered and completed.

(16) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-up capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-up capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

- A. The Company's Articles of Incorporation stipulates that if there is a surplus in the annual final accounts, the tax should be paid first to make up for the previous year's losses, and 10% of the remaining amount shall be set aside as legal reserve. If there is still a surplus plus beginning distributable surplus, the Board of Directors will propose some resolution and decide by Board of Shareholders. The shareholder dividends are distributed in two ways: stock dividends and cash dividends. The proportion of cash dividends is not less than 10% of the total shareholder dividends. When necessary, the surplus distribution could be set aside as special reserve before the dividend distribution.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The company's shareholders' meeting resolutions on June 29, 2022 and July 22, 2021, the profit distribution proposals for 2021 and 2020 are as follows:

	2021		2020	
	Amount NTD	Dividends per share (NTD)	Amount NTD	Dividends per share (NTD)
Make up for previous year losses	\$ -		\$208,357	
Appropriation of statutory surplus reserve	3,087		79,967	
stock dividend	-	\$ -	447,528	\$ 1.00
cash dividend	-	-	58,178	0.13

a. Please refer to Note 6(15) for details on capital increase from undistributed surplus.

b. The above-mentioned information on the distribution of earnings passed by the board of directors and the resolutions of the shareholders' meeting can be inquired at the Public Information Observatory

E. As of March 14, 2023, the company's 2022 profit distribution proposal has not been resolved by the board of directors.

(18) Operating revenue

A. Details of customer contract revenue

The Group's revenue is derived from providing gradual transfer of engineering control over time and generating related revenue in each reportable sector:

Timing of revenue recognition

	For the year ended December 31, 2022	For the year ended December 31, 2021
Over time	\$ 4,625,514	\$ 3,551,030
At a point time	-	56,040
	<u>\$ 4,625,514</u>	<u>\$ 3,607,070</u>

B. Contract assets and liabilities

The Group recognized the following customer contract revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021
Contract assets:		
Engineering construction contract	\$ 1,462,270	\$ 2,041,508
Project retention receivables	423,248	344,099
Deduct: allowance for loss	(479,678)	(571,574)
	<u>\$ 1,405,840</u>	<u>\$ 1,814,033</u>
Contract liabilities :		
Construction contract	<u>\$ 200,838</u>	<u>\$ 779,814</u>

(a) The expected recovery situation of project retention derives from construction contracts as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 186,676
2023	105,625	-
After 2024 (inclusive)	<u>317,623</u>	<u>157,423</u>
	<u>\$ 423,248</u>	<u>\$ 344,099</u>

- (b) The Group's contract assets and liabilities change over time with the contraction performance obligations and timing of customer payment. In 2022 and 2021, due to the re-evaluation of the future recoverability of the invested construction costs according to the recent court judgments, etc., the Group has set aside asset impairment losses of NT\$14,200 and NT\$54,453 respectively, resulting in changes in contract assets. Please refer to the progress of the relevant litigation. Explanation of Note 12(2) and Note 9.
- (c) The contract bond of the Group on January 1, 2021 is NT\$1,259,905, and the initial contract bond. The government subscription deposits in 2022 and 2021 are NT\$779,814 and NT\$1,259,905 respectively.
- (d) Transaction price to non-performance obligation  
As of December 31, 2022, the total amount of the transaction price to non-performance obligation was NT\$15,077,210. The Company will gradually recognize revenue as the completion of the construction projects. The projects will be completed from 2023 to 2027.
- (e) Please refer to Note 12 (2) for details of the contract assets credit risk.

(19) Interest income

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Interest income from bank deposits	\$ 2,441	\$ 658
Interest income from financial assets measured at amortised cost	3,187	1,232
Deferred interest income	26,299	-
Other interest income	<u>30</u>	<u>109</u>
	<u>\$ 31,957</u>	<u>\$ 1,999</u>

(20) Other income

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Dividend income	\$ 8,727	\$ 3,363
Rental income	6,964	5,044
Gains on rent concessions	180	154
Debt provision is transferred to income	-	7,001
Others	<u>2,148</u>	<u>7,597</u>
	<u>\$ 18,019</u>	<u>\$ 23,159</u>

(21) Other gains and losses

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Losses on financial assets at fair value through profit or loss	(\$ 9,077)	\$ -
Impairment losses on property, plant and equipment	( 1,919)	( 9,762)
Investment property depreciation expense	( 1,741)	( 2,373)
Gains (Losses) on foreign exchange, net	1,012	( 391)
Lease Modification Benefit	34	6
Investment property Gains on reversal of impairment (loss)	-	1,053
Gains (Losses) on disposal of property, plant and equipment	-	667
Others	<u>( 264)</u>	<u>( 197)</u>
	<u>(\$ 11,955)</u>	<u>(\$ 10,997)</u>

(22) Financial cost

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Interest expense:		
Bank loan	\$ 9,575	\$ 5,885
Interest expense on lease liabilities	721	672
Others	<u>2</u>	<u>-</u>
6	<u>\$ 10,298</u>	<u>\$ 6,557</u>

(23) Additional information on the nature of expenses

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Engineering cost	\$ 4,140,780	\$ 3,099,683
Employee benefit expense	304,517	238,498
Depreciation of property, plant and equipment	20,459	15,880
Depreciation expense of right-of-use assets	14,548	12,424
Amortization expense	<u>2,000</u>	<u>2,174</u>
	<u>\$ 4,482,304</u>	<u>\$ 3,368,659</u>

(24) Employee benefit expense

	For the year ended December 31, 2022	For the year ended December 31, 2021
Wages and salaries	\$ 256,795	\$ 195,833
Labor and health insurance fees	24,838	19,822
Pension costs	7,728	7,437
Directors' remunerations	2,285	3,767
Other personnel expenses	12,871	11,639
	<u>\$ 304,517</u>	<u>\$ 238,498</u>

A. In accordance with the Company's Articles of Incorporation, if there is a balance after deducting accumulated deficits from profit, the Company shall distribute bonus to the employees and pay remuneration to the directors that should be 3%-5% and not be higher than 3%, respectively, of the total distributed amount.

B. The estimation amount of the employees' compensation for the years ended December 31, 2022 and 2021 were NT\$3,043 and NT\$2,485, respectively; the estimation amount of the directors' remuneration were NT\$0 and NT\$1,242, respectively. The above-mentioned amount are recognized in wages and salaries. In 2022, the employee remuneration is estimated at 5% and 0% based on the profit of the year and directors' remuneration. According to the resolution of the board of directors on March 14, 2023, employee remuneration will be paid in cash.

The 2021 employee remuneration and directors' remuneration as resolved by the board of directors are NT\$2,485 and NT\$1,242 respectively, which are consistent with the amounts recognized in the 2021 financial report.

Information of the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained from the "Market Observation Post System".

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Current tax:		
Surtax on undistributed retained earnings	\$ 1,389	\$ 10,758
Income tax in the previous year was below (exceeded) estimates	<u>2</u>	<u>2</u>
	<u>1,391</u>	<u>10,760</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>45,659</u>	<u>33,219</u>
Income tax expense	<u>\$ 47,050</u>	<u>\$ 43,979</u>

(b) Income tax amount relating to other comprehensive income:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Remeasurement of defined benefit obligation	<u>\$ 1,155</u>	<u>(\$ 28)</u>

B. Reconciliation between income tax expense and accounting profit:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Income tax calculated by applying statutory rate to the net loss before tax	\$ 11,562	\$ 15,642
Income loss that is exempt from taxation under the income tax law	81	( 803)
Income calculated according to the income tax law	27,253	79
Expenses that should be excluded according to the income tax law	300	-
ITax losses not recognized as deferred tax assets	510	-
Deferred income tax assets not recognized for temporary differences	3,735	18,636
Changes in assessment of realizability of deferred tax assets	2,218	( 335)
Income tax on undistributed surplus	1,389	10,758
Income tax (high) underestimation for previous years	<u>2</u>	<u>2</u>
Income tax expense	<u>\$ 47,050</u>	<u>\$ 43,979</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 1,896	\$ -	\$ -	\$ 1,896
Unrealized gross profit	3,450	-	-	3,450
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	1,530	( 707)	( 823)	-
Investment property impairment losses	418	-	-	418
Others	1,388	2	-	1,390
-Tax losses	76,399	( 44,954)	-	31,445
Subtotal	<u>\$ 88,270</u>	<u>(\$ 45,659)</u>	<u>(\$ 823)</u>	<u>\$ 41,788</u>
Deferred tax liabilities:				
-Temporary differences:				
Net defined benefit assets	\$ -	\$ -	(\$ 332)	(\$ 332)
Total	<u>\$ 88,270</u>	<u>(\$ 45,659)</u>	<u>(\$ 1,155)</u>	<u>\$ 41,456</u>

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 16,360	(\$ 14,464)	\$ -	\$ 1,896
Unrealized litigation loss	6,160	( 6,160)	-	-
Unrealized gross profit	3,943	( 493)	-	3,450
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	2,168	( 666)	28	1,530
Investment property impairment losses	1,232	( 814)	-	418
Others	1,379	9	-	1,388
-Tax losses	87,185	( 10,786)	-	76,399
Subtotal	<u>\$ 121,616</u>	<u>(\$ 33,374)</u>	<u>\$ 28</u>	<u>\$ 88,270</u>
Deferred tax liabilities:				
-Temporary differences:				
Foreign long-term investments income	(\$ 155)	\$ 155	\$ -	\$ -
Total	<u>\$ 121,461</u>	<u>(\$ 33,219)</u>	<u>\$ 28</u>	<u>\$ 88,270</u>

- D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2022				
<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiry year</u>
The Company:				
2017 (approved number)	\$ 310,913	\$ 28,653	-	2027
2018 (approved number)	128,575	128,575	-	2028
2020 (number of declarations)	1,246,240	1,246,240	1,246,240	2030
Subsidiaries:				
2013-2020	41,701	41,701	41,701	2023-2030
2022	2,552	2,552	2,552	2032

December 31, 2021				
<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiry year</u>
The Company:				
2017 (approved number)	\$ 310,913	\$ 255,542	-	2027
2018 (approved number)	128,575	128,575	-	2028
2020 (number of declarations)	1,246,240	1,246,240	1,246,240	2030
Subsidiaries:				
2012-2020	52,956	50,959	50,959	2022-2030

- E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ 784,548</u>	<u>\$ 762,235</u>

- F. The Group's profit-seeking enterprise income tax has been approved by the tax collection authorities:

	<u>Income tax approved year</u>
The Company	2020
Kung Sing Development Co., Ltd.	2020
Chan Pang Construction Co., Ltd.	2020



(26) Earnings per share

	For the year ended December 31, 2022		
		Retrospective adjustment Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent company for the period	\$ 10,762	492,280	\$ <u>0.02</u>
<u>Diluted earnings per share</u>			
Effect from dilutive potential ordinary shares-employees' compensation	-	522	
Profit attributable to ordinary shareholders of the parent plus potential ordinary shares	\$ <u>10,762</u>	<u>492,802</u>	\$ <u>0.02</u>
	For the year ended December 31, 2021		
		Retrospective adjustment Weighted average number of ordinary shares outstanding	Losses per share
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent company for the period	\$ 35,181	492,280	\$ <u>0.07</u>
<u>Diluted earnings per share</u>			
Effect from dilutive potential ordinary shares-employees' compensation	-	846	
Profit attributable to ordinary shareholders of the parent plus potential ordinary shares	\$ <u>35,181</u>	<u>493,126</u>	\$ <u>0.07</u>

(27) Supplemental cash flow information

Investing activities that are only partially paid in cash

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of real estate, plant and equipment	\$ 21,042	\$ 25,283
Add: end-of-period advance payment for equipment	24,585	-
Less: Prepayment at the beginning of the period for equipment	-	-
Cash payment in the current period	<u>\$ 45,627</u>	<u>\$ 25,283</u>
acquisition of intangible assets	\$ 4,909	\$ -
Add: end-of-period advance payment for equipment	-	1,518
Less: Prepayment at the beginning of the period for equipment	<u>( 1,518)</u>	-
Cash payment in the current period	<u>\$ 3,391</u>	<u>\$ 1,518</u>

(28) Changes in liabilities from financing activities

	<u>2022</u>					Total liabilities
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Dividends payable</u>	<u>from financing activities</u>
January 1	\$ 390,000	\$ 172,557	41,749	\$ 74,257	\$ -	\$ 678,563
Changes in cash flow from financing activities	( 80,000)	( 4,889)	( 14,415)	150,721	-	51,417
Interest expense paid (Note)	-	-	( 721)	-	-	( 721)
Changes in other non-cash items	-	-	15,118	-	-	15,118
December 31	<u>\$ 310,000</u>	<u>\$ 167,668</u>	<u>\$ 41,731</u>	<u>\$ 224,978</u>	<u>\$ -</u>	<u>\$ 744,377</u>
	<u>2021</u>					Total liabilities
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Dividends payable</u>	<u>from financing activities</u>
January 1	\$ 65,000	\$ 77,166	\$ 36,839	\$ 64,764	\$ -	\$ 243,769
Changes in cash flow from financing activities	325,000	95,391	( 12,242)	9,493	(58,178)	359,464
Interest expense paid (Note)	-	-	( 672)	-	-	( 672)
New additions in this period	-	-	17,317	-	-	17,317
Changes in other non-cash items	-	-	507	-	58,178	58,685
December 31	<u>\$ 390,000</u>	<u>\$ 172,557</u>	<u>\$ 41,749</u>	<u>\$ 74,257</u>	<u>\$ -</u>	<u>\$ 678,563</u>

Note: Cash flow from operating activities listed in the table

(29) Transactions with non-controlling interests

On August 10, 2021, the Group purchased a 40% equity interest in the consolidated subsidiary Kung Sing Development Co., Ltd. (hereinafter referred to as "Kung Sing Development") for NT\$253,400 in cash. The book value of the non-controlling interests of Kung Sing Development on the acquisition date was NT\$252,752. The impact of changes in the interests of Industrial Development in 2021 on the owners' equity attributable to the parent company is as follows:

	<u>August 10, 2021</u>
Carrying amount of non-controlling interests acquired	\$ 252,752
Payment of consideration for non-controlling interests.	<u>( 253,400)</u>
The difference between the actual acquisition price of the subsidiary's equity and the book value (reduction of "retained surplus")	<u>(\$ 648)</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Chen, huang-ming	Key member of the management
Chiang, chi-ching	Key member of the management
P'an, kuan-ju	Key member of the management
Ch'uan fu Investment Co., Ltd.	Serving as a director of the company
Pan, jun-rong	Other related party

(2) Significant transactions with related parties

A. Endorsement and guarantees

- a. Part of the borrowings amount of the Group was endorsement guarantee provided by the Group's key members of management and other related parties.
- b. The borrowings amount of mutual endorsement guarantee provided by the Group and other related parties in accordance with the borrowings contract was NT\$173,936 and the actual used amount was NT\$108,000 and NT\$146,840, respectively at December 31, 2022 and 2021.

B. Joint construction and separate sale

The Group signed a joint construction contract with other related parties. By means of joint construction and separate sale, the land of Daihudi subsection, Ankeng section, Sindian Dist. is provided by other related parties, and the houses are constructed by the Group. The construction project was completed in 2018. On December 31, 2022 and 2021, the group paid on behalf of other related parties for the cost of joint construction, respectively NT\$88,775 and NT\$76,822, listed as "other receivables", and the amount collected from other related parties were calculated in NT\$ \$0 and NT\$5, listed as "Other Current Liabilities".

### C. Property transaction

#### a. Acquired equity in subsidiary

On December 29, 2020, the Board of Directors, with reference to the expert evaluation report, decided to increase its shareholding in the subsidiary Industry and Information Development by a total of 28,000,000 shares. Please refer to Note 4 (29) for details. The company signed an equity transaction contract on May 14, 2021. The base date of equity transfer is the date of payment of the price. 16,000,000 shares and 5,000,000 shares were obtained from related parties, Quanfu Investment Co., Ltd. and Mr. Pan Guanru, respectively. The transaction prices were NT\$144,800 and NT\$45,250 respectively.

#### b. Disposal of financial assets

On October 20, 2021, the company signed an equity transaction contract to sell all financial assets held at fair value through other comprehensive gains and losses at NT\$6,450 to the related person Mr. Pan Junrong, Also recognized as a disposal loss amounting to NT\$3,550, please refer to Note 6 (6) for details.

The above property transactions with related parties have all been paid and received, and the registration of changes has been completed.

### (3) The compensation of key member of the management

	For the year ended December 31, 2022	For the year ended December 31, 2021
Short-term employee benefits	\$ 12,971	\$ 13,607
Post-employment benefits	320	281
	<u>\$ 13,291</u>	<u>\$ 13,888</u>

### 8. Pledged Assets

The details of the pledged assets are as follows:

Items	Book value		Purpose
	December 31, 2022	December 31, 2021	
Financial assets measured at amortised cost	\$ 1,795,506	\$ 2,288,784	Provided to banks and owners as a guarantee for short-term loans and construction performance guarantees
Property, plant and equipment	315,746	323,752	Short-term loan guarantee
Investment property	105,265	106,729	Long and short term loan guarantee
	<u>\$ 2,216,517</u>	<u>\$ 2,719,265</u>	

### 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

- (1) As of December 31, 2022, the amount issued but not used for purchasing goods by the Group was NT\$176,111, and the amount of the guarantee issued by the bank for the performance, advance construction receipts and warranty was NT\$3,101,184.

- (2) As of December 31, 2022, the amount of notes issued by the Group due to the lease contracts was NT\$8,950.
- (3) During the construction of the main bridge section and the connecting road of the Tamjiang Bridge contracted by the company, the employees of the subcontracted construction company were accidentally injured during the construction in October 2019, and then they were reported to Shilin on February 22, 2021. The court claimed that the company should be liable for damages, and the lawsuit amount was NT\$22,276. Since the infringing act is the subcontracting construction company, and if the company is jointly and severally liable for compensation by the court, it will claim compensation from the subcontracting construction company according to the contract, so the company has not provided for the relevant compensation losses. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- (4) The engineering litigation judgment and status as of December 31, 2022:
  - A. The Company won the tender for the Muzha Extension (Neihu line) CB410 Section Project put out by the Eastern District Project Office (First District Project Office for now), Department of Rapid Transit Systems, Taipei City Government. Both sides signed the project procurement contract on June 12, 2003. The Company has completed all projects and received the qualification approval from the Eastern District Project Office in December 2012. However, after the commencement of construction on June 16, 2003, various factors that are not attributable to the Company have affected the implementation of the aforementioned projects. The Eastern District Project Office approved 278 and 122 days extensions of time with the total number of 400 days. The related costs and expense increased due to the extensions of time. According to the contract, it should be adjusted to increase the project payment to indemnify. In December 2010, the Company filed a lawsuit with the Taipei District Court to the Eastern District Project Office for payment of indemnification of extensions of time and the prejudgment interest. The related judgments are as follows:
    - (a) The trial court judged that the First District Project Office shall pay the Company NT\$17,723 and 386 thousand US dollars and the prejudgment interest and dismissed other suits.
    - (b) Both the Company and the First District Project Office appealed against the judgment. The court of second instance has not yet rendered a judgment.
  - B. The Company won the tender for the Taoyuan International Airport Access MRT System Construction Project CE02 Project put out by the Bureau of High Speed Rail, MOTC. The Company has completed all projects and received the qualification approval from the Bureau of High Speed Rail in May 2017. During the construction period, various factors that are not attributable to the Company have affected the implementation of the aforementioned projects. The Bureau of High Speed Rail approved 788 days extensions of time. But the two parties cannot reach neither an agreement nor a bargain price about the expense adjustment of work item, quantity and price. The company appealed to the Taipei District Court to pay the high-speed railway engineering bureau to pay the compensation for the extension of the construction period. In June 2022, the Taiwan High Court made a second-instance judgment that the high-speed rail engineering bureau should pay the company NT\$28,563 and its delayed interest. The High Speed Railway

Engineering Bureau refused to accept the judgment and filed an appeal in July 2022. As of the date of the audit report, no judgment has been made.

- C. The Company won the tender for the Linkou Thermal Power Plant Refurbishment and Expansion Project-Diversion Dike of Water Outlet, Northern Jetty, Coal Unloading Pier, Connection Bridge and Other Associated Facilities Construction Project put out by the Northern Construction Office, Department of Nuclear and Fossil Power Projects, Taiwan Power Company. Both sides signed the project procurement contract on June 3, 2010. The Company has completed all projects and received the qualification approval from the Northern Construction Office. However, after the commencement of construction on June 14, 2010, various factors such as adverse weather conditions, rough sea, obstruction from fishermen, typhoon, the Chinese New Year and design modification that are not attributable to the Company have affected the implementation of the critical path of the project. The Northern Construction Office approved 19 times extensions of time with the total number of 568.5 days and the Company early completed the project at August 17, 2017. Therefore, the actual extensions of time is 561 days. Besides, after the commencement of construction, fishermen had repeatedly protested against Taipower from April 2011 to February 2013 and thus the Company changed the construction methods, resulted in increase of performance cost of construction ships halt and rubble land transportation. The related costs and expense increased due to the extensions of time and fishermen protest. According to the contract, it should be adjusted to increase the project payment to indemnify. In February 2020, the company filed a lawsuit with the New Taipei District Court in accordance with the law to request the Northern Construction Department to pay the extension of the construction period, the compensation due to the fishermen's protest and the interest on the delay. . The above-mentioned extension of construction period and fishermen's protest lawsuits were rejected by the second-instance court in November 2021 and January 2022 respectively. The company was not satisfied with the above judgment and appealed to the Supreme Court. The court of third instance has not yet made a judgment, and the fishermen's protest lawsuit was rejected by the court of third instance in April 2022, and the whole case came to an end.
- D. The company won the bid for the "Consolidated Coal Bunker System Project of Linkou Power Plant Renewal and Expansion Plan" by the Nuclear Thermal Power Engineering Office of Taipower Corporation. The two parties signed a project procurement contract on May 10, 2012. The company has completed all the projects. And passed the acceptance by the Nuclear Fire Engineering Office.
- (a) However, in September 2012, Taipower Company re-contracted the related projects of the "coal conveying belt system" at the same project site to another engineering company (hereinafter referred to as "Company A") for detailed design and construction. On May 6, the company was instructed to hand over part of the project land for the common use of Company A, resulting in a lack of space for the original design and construction, thus resulting in related costs. In July 2021, the company filed a petition with the Taipei District Court for Taipower to increase the payment for the project. As of the date of the audit report, the court of first instance has not yet made a judgment.

- (b) After the company completed the B-column coal bunker in November 2016, Taipower Corporation considered it necessary to use it first. After the five cylindrical coal bunkers of column B started to operate, the B4 cylindrical coal bunker transverse beam (Transverse Beam) was damaged since May 26, 2017. Taipower Company instructed the company to repair, strengthen the structure and add the transverse beam structure. For matters such as stainless steel cladding on the surface, the back-end electric company only paid additional construction costs for the additional surface stainless steel cladding part of the horizontal beam structure, and did not pay additional fees for repairing and structural reinforcement in accordance with its instructions. In August 2021, the company filed a petition with the Taipei District Court for Taipower to increase the payment for the project. As of the date of the audit report, the court of first instance has not yet made a judgment.
- (c) The original completion date of the project was June 19, 2016. However, due to the typhoon, the delay in the provision of information by the interface manufacturer, and the delay in the delivery of the land, the work had to be carried out and the project was delayed until the end of the construction period. On March 23, 2021, the party actually completed the overall project, and the actual extension of the construction period was 1,738 days, which eventually resulted in an increase in contract performance costs such as site management fees and shared head office management fees. In August 2021, the company filed a petition with the Taipei District Court for Taipower to increase the payment for the project. As of the date of the audit report, the court of first instance has not yet made a judgment.
- E. The company won the bid for the "New Construction of Suhua Highway Guanyin Tunnel on the Taiwan-Kowloon Line" (hereinafter referred to as the "Guanyin Tunnel") and the "Taiwan-Kowloon Line Suhua Highway Guanyin Tunnel" (hereinafter referred to as the "Guanyin Tunnel") and the "Taiwan-Kowloon Line Suhua Highway Gufeng Tunnel New Construction" (hereinafter referred to as "Gufeng Tunnel"), the two parties signed a project contract on October 18, 2011. Our company won the bid for Guanyin Tunnel and Gufeng Tunnel, which were publicly tendered by the General Administration of Highways. Our company has completed all The project has passed the acceptance inspection in February and August 2020 respectively.
- (a) The company was instructed by the owner to thicken the clapboard and shorten the spacing of the clapboard, resulting in a huge increase in the cost of the project and an increase in the construction cost due to the geological differences in the work area. Appeal to the General Administration of Highways to increase the payment for the project. According to the judgment of the first-instance court in March 2022, the General Administration of Highways should pay the company NT\$9,766 and delayed interest. The company was dissatisfied with the results of these judgments and appealed to the Taiwan High Court in April 2022. As of the date of the audit report, the court of second instance has not yet made a judgment.
- (b) Since the construction of Guanyin Tunnel and Gufeng Tunnel started on November 1, 2011, due to the influence of factors that cannot be attributed to

the company, such as typhoons, collapse, changes in laws and designs, etc. during the construction period, the construction has been approved by the General Administration of Highways. The number of days of extension is 1,141 days and 1,363 days respectively. The Company has increased related costs due to the extension of the above construction period. In November 2020, the company applied to the Yilan District Court to request the General Administration of Highways to pay compensation for the extension of the construction period. As of the date of the inspection report, the court of first instance has not yet made a judgment.

- (c) During the construction period, the Company requested the General Administration of Highways to pay part of the project payment due to the upcoming contract change, but the General Administration of Highways regarded the above amount as a capital loan and interest calculation during the assessment and inspection, and directly deducted the payable construction fee. Due to the unsuccessful objection to the General Administration of Highways, the company applied to the Yilan District Court in April 2021 for the payment of the above-mentioned difference from the General Administration of Highways. In June 2022, the District Court of Yilan, Taiwan ruled in the first instance that the General Administration of Highways should return this part of the project cost and pay regarding the delayed interest, the General Administration of Highways refused to accept the judgment and filed an appeal in July 2022. As of the date of the audit report, the court of second instance has not yet made a judgment.
- (d) During the construction of the Gufeng Tunnel, the General Administration of Highways has handled contract changes several times. Among them, the Company and the General Administration of Highways could not reach an agreement on the price of each project for some contract changes, resulting in the negotiation. In response to the price difference of insufficient payment from the General Administration of Highways, the company filed a petition with the Yilan District Court in July 2021 for the General Administration of Highways to increase the payment for the project. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- (e) Due to the various excavation work of Guanyin Tunnel and Gufeng Tunnel, the current conditions are affected by factors such as “land acquisition, building demolition, Hanben cultural relics, harsh geological conditions in the tunnel, etc.” The operation could not proceed smoothly according to the original approved overall construction plan. As a result, the cost of labor and equipment for various tunnel excavation projects has increased significantly. In July 2021, the company applied to the Yilan District Court to request the General Administration of Highways to increase the payment for the project. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- (f) The Guanyin Tunnel and Gufeng Tunnel have to pay extra electricity charges due to the multiple extension of the construction period, and the project contract only includes electricity charges for the "tunnel excavation" project, but other non-excavation projects do not include electricity charges, which are missing items. As a result, the related costs and expenses have increased and cannot be priced. In July 2021, the company applied to the Yilan District Court to request



the General Administration of Highways to increase the payment for the project. As of the date of the inspection report, the court of first instance has not yet made a judgment.

- F. The company won the bid for the Taichung Port Branch of Taiwan Port Affairs Co., Ltd. (hereinafter referred to as "Taichung Port Company") "Taichung Port No. 106 New Project". The two parties signed a project procurement contract on December 12, 2017, and the company has completed the project. All projects have passed the inspection and acceptance of Taichung Port Branch.
- (a) However, Taichung Port Branch did not fulfill the owner's obligation to provide construction land before the start of construction, and due to force majeure factors such as weather and walruses, there were reasons for extension of the construction period that were not attributable to the company, and the scheduled completion date of the contract was postponed to 2020 On April 18, 2010, the construction period was extended for 168 days. Due to the extension of the above-mentioned construction period, the company has increased related costs and expenses. In June 2022, the company appealed to the Taichung District Court for the payment of compensation for the extension of the construction period by the Taichung Port Branch. As of the date of the audit report, the court of first instance has not yet made a judgment.
- (b) Due to the soil quality problems in the construction area of the project, the overall scope of the company's construction area is subject to hazards and risk factors, which makes the construction of the project difficult, and because of the aforementioned soil quality problems, the construction cannot be carried out according to the original design plan. It needs to be based on the actual situation on the site. Change the construction plan and extend the project construction period during the period, the above-mentioned reasons not attributable to the company resulted in an increase in the company's related engineering costs. In June 2022, the company filed a lawsuit with the Taichung District Court for the Taichung Port Branch to increase the as of the audit report date, the court of first instance has not yet made a judgment.

The Company measured the recoverable amount of contract assets and recognized the difference in impairment loss. Please refer to Note 12 (2) for details. The Company measures assets impairment amount during the financial reporting periods according to litigation progress, possible request amount and materiality, but the final amount will be determined after the conclusion of the relevant cases. The Company will actively defend the aforementioned litigation cases that are still in progress. Due to the unpredictable nature of legal cases, there is currently no accurate estimate of possible losses (in case). And the Company has made necessary adjustments in appropriate ways. The Company wouldn't rule out the possibility of inability to win in all related cases. Although the judgment amount will affect the recoverability of the contract assets, it wouldn't affect the normal operation of the Company.

10. Significant Losses from Natural Disaster

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. The net debt is calculated as total borrowings include "current and non-current borrowings" as shown in the consolidated balance sheet deduct cash. Total capital is calculated as "equity" as shown in the consolidated balance sheet add net debt.

The Group's strategy in 2022 remains the same as in 2021, and the Group is committed to maintaining the debt-to-capital ratio under 50%. The Group's debt-to-capital ratio is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowing	\$ 477,668	\$ 562,557
Deduct: Cash	( 1,881,244)	( 1,663,888)
Net debt (A)	<u>\$ -</u>	<u>\$ -</u>
Total equity(B)	<u>\$ 5,284,389</u>	<u>\$ 5,284,116</u>
Total capital (C=A+B)	<u>\$ 5,284,389</u>	<u>\$ 5,284,116</u>
Debt-to-capital ratio (A/C)	-	-

(2) Financial risk of financial instruments

A. Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 20,366	\$ -
Financial assets at fair value through other comprehensive income -	\$ 77,345	\$ 92,455
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,881,244	\$ 1,663,888
Financial assets at amortized cost	1,795,506	2,288,784
Accounts receivable	172,494	210
Contract assets (construction retention)	423,248	344,099
Other receivables	95,474	86,343
Other current assets	21,000	21,000
Refundable deposits (Other non-current assets)	81,614	30,771
	<u>\$ 4,470,580</u>	<u>\$ 4,435,095</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 310,000	\$ 390,000
Notes payable	437,835	252,085
Accounts payable	495,027	633,654
Other payables	41,999	36,953
Deposit deposit (Other current liabilities)	186,203	19,150
Long-term borrowings (including due within one year)	167,668	172,557
Deposit deposit (Other non-current liabilities)	38,775	55,107
	<u>\$ 1,677,507</u>	<u>\$ 1,559,506</u>
Lease liabilities (including due within one year)	<u>\$ 41,731</u>	<u>\$ 41,749</u>

B. Risk management policies

The Group's daily operations expose it to a variety of financial risks including market risk, credit risk and liquidity risk. Risk management is performed by the finance department of the Group under policies approved by the Board of Directors.

C. Nature and degrees of significant financial risks

a. Market risk:

Foreign exchange rate risk

- (a) The Group's business involves certain non-functional currencies, mainly Renminbi, and is therefore subject to exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2022		
	Amount ( in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,734	4.41	\$ 51,726
USD : TWD	33	30.71	1,011
EUR : TWD	543	32.72	17,751

(Foreign currency: functional currency)	December 31, 2021		
	Amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,557	4.34	\$ 50,204
USD : TWD	33	27.68	903

- (b) The realized and unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to NT\$1,012 and NT(\$391), respectively.

- (c) The appreciation or depreciation of major foreign currency monetary items impacted the Group's profit and loss at the end of the financial statements period. When the New Taiwan dollar appreciates or depreciates by 1%, the Group's income will decrease or increase by NT\$705 and NT\$511, respectively for the years ended December 31, 2022 and 2021.

Price risk

- (a) The equity instruments that the Group is exposed to price risk are bills held through profit or loss Financial assets measured at fair value and at fair value through other comprehensive income of financial assets.
- (b) The Group mainly invests in equity instruments issued by domestic companies, the price of these equity instruments the price will be affected by the uncertainty of the future value of the investment target. If the price of these equity instruments increases or decreases by 1%, and all other factors remain unchanged, the after-tax net profit for 2022 and 2021 will come from fair value through profit and loss the profit or loss of the equity instrument will increase or decrease NT\$204 and NT\$0

respectively; the combined profit and loss will increase or decrease by NT\$773 and NT\$925 respectively.

Cash flow and fair value interest rate risk

The long-term and short-term borrowings borrowed by the Group are floating-rate debts and are not expected to generate significant interest rate risk. Changes in market interest rate will cause the effective interest rate of borrowing to change, which will cause fluctuations in future cash flows. Calculated based on the Group's borrowings balance at December 31, 2022 and 2021, if the market interest rate increases or decreases by 0.25%, the Group's cash outflow will increase or decrease by NT\$1,194 and NT\$1,406 respectively.

b. Credit risk

(a) The Group's credit risk arises from the failure of customers or counterparties to financial instruments to fulfill their contracts. The risk of financial loss to the Group due to contractual obligations mainly comes from the inability of the counterparty to clear repayment of accounts receivable and construction retention receivables paid according to the payment terms and classified as amortized financial assets measured at post-cost. In addition, the Group's investment through profit and loss is measured at fair value the trading partners of large amount of financial assets and certificates of deposit are financial institutions with good credit quality. The possibility of default is expected to be very low.

(b) The Group adopts the assumptions under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. And the default occurs when the contract payments are past due over 30 days after final acceptance by owners.

(c) The debtors of the Group's accounts receivable and contract assets are mainly government units or state-owned enterprises, etc. The Group applies the simplified approach to estimate expected credit loss under the loss rate methodology basis. The loss ratio method of the Group as at 31 December 2022 and 2021 is as follows:

December 31, 2022	Accounts receivable	Contract retention	Contract assets	Total
Expected loss rate	-	-	32.8%	
Total book value	\$ 172,494	\$ 423,248	\$ 1,462,270	\$ 2,058,012
Loss allowance	\$ -	\$ -	\$ 479,678	\$ 479,678

December 31, 2021	Accounts receivable	Contract retention	Contract assets	Total
Expected loss rate	-	-	28.0%	
Total book value	\$ 210	\$ 344,099	\$ 2,041,508	\$ 2,385,817
Loss allowance	\$ -	\$ -	\$ 571,574	\$ 571,574

(\*)The Group's accounts receivable in the above table are not overdue.

(d) The deposit provided by the Group due to performance obligations, the evaluation of the counterparty's credit and transaction records, it is expected that the possibility of irreversible recovery is small. However, due to the individual assessment in 2022 and 2021, due to the operating difficulties of the transaction object, the possibility of recovering the money is low, and it is recognized as expected Credit losses are calculated at NT\$0 and NT\$7,216, respectively.

(e) The statement of changes in loss allowance for contract assets used simplified approach is as follows:

	December 31, 2022	December 31, 2021
January 1	\$ 578,790	\$ 517,121
Impairment loss	14,200	61,669
Write-offs in this period	( 106,096)	-
December 31	<u>\$ 486,894</u>	<u>\$ 578,790</u>

c. Liquidity risk

(a) Cash flow forecasting is performed in the operating entities of the Group and aggregated by the financial department. The Group's financial department monitors rolling forecasts of the Group's liquidity requirements to ensure that has sufficient cash to support operating requirements. The detail of unused borrowing amount is as follows:

	December 31, 2022	December 31, 2021
Floating rate		
Due within one year	\$ 570,000	\$ 820,000
Due beyond one year	1,265,000	925,000
	<u>\$ 1,835,000</u>	<u>\$ 1,745,000</u>

- (b) The Group's non-derivative financial liabilities are analyzed by the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 312,717	\$ -	\$ -	\$ -
Notes payable	437,835	-	-	-
Accounts payable	330,331	-	127,443	37,253
Other payables	41,999	-	-	-
Lease liabilities(including due within one year)	15,178	14,229	9,604	3,922
Long-term borrowings (including due within one year)	106,589	6,302	6,302	53,683

Non-derivative financial liabilities:

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 392,557	\$ -	\$ -	\$ -
Notes payable	252,085	-	-	-
Accounts payable	462,418	87,341	77,740	6,155
Other payables	36,953	-	-	-
Lease liabilities	14,969	10,268	9,506	8,273
Long-term borrowings (including due within one year)	75,286	100,159	-	-

(3) Fair value information

- A. The different levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market where asset or liability transactions occur with sufficient frequency and quantity to provide pricing information on a continuous basis. The fair value of the Group's investment in financial assets at fair value through other comprehensive income is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data. Part of the fair value of the Group's investment in financial assets at fair value through other comprehensive income is included in Level 3.

- B. Financial instruments not measured at fair value

The Group includes cash and cash equivalents, accounts receivable, other receivables, other current assets, other non-current assets, long-term and short-term borrowings, notes payable, accounts payable, other payables, other current liabilities (excluding a The carrying amount of long-term borrowings due

during the year) and other non-current liabilities (excluding net defined benefit liabilities) is a reasonable approximation of fair value.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through profit or loss - stocks of listed companies	\$ 20,366	\$ -	\$ -	20,366
Financial assets measured at fair value through other comprehensive income-equity securities	-	-	77,345	77,345
	<u>\$ 20,366</u>	<u>\$ -</u>	<u>\$ 77,345</u>	<u>\$ 97,711</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through profit or loss - stocks of listed companies	\$ -	\$ -	\$ -	\$ -
Financial assets measured at fair value through other comprehensive income-equity securities	-	-	92,455	92,455
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,455</u>	<u>\$ 92,455</u>

- D. The methods and assumptions the Group used to measure fair value are as follows:

- a. The Group used market quotation (closing price) as the inputs of fair values (that is, Level 1).
- b. Except for the above-mentioned financial instruments with active markets, the fair value of the other financial instruments (that is, Level 3) is evaluated according to the evaluation model.

The output of the evaluation model is estimated value, and the evaluation technique may not reflect all the factors in financial instruments that the Group holds. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management holds that it is appropriate and necessary to present the fair value of the financial instruments fairly in the balance sheet. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.



- c. The Group's fair value of equity securities classified as Level 3 are regularly evaluated by the financial department of the Group or evaluated by an external appraiser. The information of evaluation models is as follows:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 73,901	comparable transaction method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
	<u>3,444</u>	Net assets value method	NA	NA	NA
	<u>\$ 77,345</u>				

	Fair value at December 31, 2021	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 89,063	comparable transaction method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
	<u>3,392</u>	Net assets value method	NA	NA	NA
	<u>\$ 92,455</u>				

- E. The evaluation model and evaluation parameters selected by the Group after careful evaluation, but the use of different evaluation models or evaluation parameters may lead to different evaluation results. For financial assets classified as land-based, if the evaluation parameters change, the impact on other comprehensive gains and losses for the current period is as follows:

	Input value	Change	December 31, 2022		December 31, 2021	
			Recognized in other comprehensive profit or loss		Recognized in other comprehensive profit or loss	
			favorable change	unfavorable change	favorable change	unfavorable change
monetary assets						
Equity Instrument	fluidity	±5%	<u>\$ 5,278</u>	<u>(\$ 5,278)</u>	<u>\$ 6,362</u>	<u>(\$ 6,362)</u>

- F. The Group's investment property measured by cost is regularly evaluated by external financial experts. The fair value information is described in Note 6 (9).
- G. There was no transfer between level 1 and level 2 for the years ended December 31, 2022 and 2021.

- H. The table below shows the changes in level 3 for the years ended December 31, 2021 and 2020:

	<u>2022</u>	<u>2021</u>
January 1	\$ 92,455	\$ 113,298
Acquired in the period	-	( 6,450)
Recognized in unrealized investment gains and losses of equity instruments measured by fair value through other comprehensive income	( 15,110)	( 14,393)
December 31	<u>\$ 77,345</u>	<u>\$ 92,455</u>

- I. There was no transfer into or out from the level 3 for the years ended December 31, 2022 and 2021.

(4) Other things

Due to the epidemic of novel coronavirus pneumonia in 2022, the Group has cooperated with a number of epidemic prevention measures promoted by the government. Under the restrictions of relevant regulations, the construction progress has also been carried out as expected. As the Group's working capital is still sufficient and payment collection is normal, and various operating departments of the Group are operating normally, it is assessed that the novel coronavirus pneumonia epidemic will not have a material impact on the Group's financial position and financial performance in 2022.

13. Supplementary Disclosure
- (1) Significant transactions information
- A. Loans to others: None.
  - B. Endorsement and guarantee for others: Please refer to Table 1.
  - C. Holding of marketable securities at the end of the period (investment in subsidiaries and affiliates excluded): Please refer to Table 2.
  - D. Accumulated acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of paid-up capital: None.
  - E. Acquisition of real estate exceeding NT\$300 million or 20% of paid-up capital: None.
  - F. Disposal of real estate exceeding NT\$300 million or 20% of paid-up capital: None.
  - G. Purchases or sales of goods from related parties exceeding NT\$100 million or 20% of paid-up capital: None.
  - H. Receivables from related parties exceeding NT\$100 million or 20% of paid-up capital: None.
  - I. Derivative instruments transaction: None.
  - J. The statement and amount of significant inter-company transactions and business relationship: Please refer to Table 3.
- (2) Information of reinvestment business  
Names, locations and other information of investee companies (investees in Mainland China excluded): Please refer to Table 4.
- (3) Information of investments in Mainland China
- A. Basic information of investing in Mainland companies: None.
  - B. Significant transactions, either directly or indirectly through a third area business, with reinvesting investee companies in the Mainland: None.
- (4) Information of major shareholders  
Information of major shareholders: Please refer to Table 5.

14. Segments Information

(1) General information

- A. The management of the Group has identified which segments should be reported based on the information used by the operating decision makers.  
 B. The Group's operating decision makers operate and manage from a company perspective.

(2) Segments information

The Group's operating decision makers assess the performance of the operating segments based on the segmental income. The segmental income refers to the profits earned by the operating segments to be provided to the chief operating decision makers to allocate resources to the segments and assess performance.

The information of the reportable segments provided to the chief operating decision maker is as follows:

- A. For the year ended December 31, 2022:

	Kung Sing	Chan Pang	Kung Sing Development	Adjustment and charge off	Total
External income	\$ 4,624,692	\$ -	\$ 822	\$ -	\$ 4,625,514
Internal segmental income	-	-	-	-	-
Segmental income	<u>\$ 4,624,692</u>	<u>\$ -</u>	<u>\$ 822</u>	<u>\$ -</u>	<u>\$ 4,625,514</u>
Segments after-tax income	<u>\$ 22,655</u>	<u>(\$ 6,749)</u>	<u>(\$ 5,086)</u>	<u>(\$ 58)</u>	<u>\$ 10,762</u>
Depreciation, impairment and amortization	<u>\$ 54,678</u>	<u>\$ 189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,867</u>
Interest income	<u>\$ 30,457</u>	<u>\$ 1,397</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 31,957</u>
Interest expense	<u>\$ 10,286</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,298</u>
Segments assets	<u>\$ 5,881,179</u>	<u>\$ 831,337</u>	<u>\$ 634,666</u>	<u>(\$ 22,067)</u>	<u>\$ 7,325,115</u>

B. For the year ended December 31, 2021:

	Kung Sing	Chan Pang	Kung Sing Development	Adjustment and charge off	Total
External income	\$ 3,550,232	\$ -	\$ 56,838	\$ -	\$ 3,607,070
Internal segmental income	-	-	-	-	-
Segmental income	<u>\$ 3,550,232</u>	<u>\$ -</u>	<u>\$ 56,838</u>	<u>\$ -</u>	<u>\$ 3,607,070</u>
Segments after-tax income	<u>\$ 31,141</u>	<u>\$ 152</u>	<u>\$ 2,348</u>	<u>\$ 646</u>	<u>\$ 34,287</u>
Depreciation, impairment and amortization	<u>\$ 103,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,229</u>
Interest income	<u>\$ 1,596</u>	<u>\$ 391</u>	<u>\$ 14</u>	<u>(\$ 2)</u>	<u>\$ 1,999</u>
Interest expense	<u>\$ 6,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 2)</u>	<u>\$ 6,557</u>
Segments assets	<u>\$ 6,352,916</u>	<u>\$ 831,547</u>	<u>\$ 639,090</u>	<u>(\$ 22,066)</u>	<u>\$ 7,801,487</u>

(3) Adjustment information of segmental income

- A. The external income reported to the chief operating decision maker is measured in consistent with the income in the income statements.
- B. The reportable segments' performance is assessed by after-tax income. The total income is consistent with the after-tax income of the company's continuing operations, so no adjustment is required.
- C. The total amount of assets provided to the chief operating decision makers is consistent with the measurement of the assets in the financial statements. The adjustment and charge off of the assets of the reportable segments in the period, please refer to Note 14 (2) for details.

(4) Information on products and services

The Group's revenue is mainly generated from construction income and property sale income. Component of revenue is as follows:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Construction contract income	4,624,692	3,550,232
Property developments sale income	-	56,040
Others	<u>822</u>	<u>798</u>
	<u>\$ 4,625,514</u>	<u>\$ 3,607,070</u>

(5) Geographical information

The Company's external customer income and non-current assets are generated in Taiwan.

(6) Major customer information

Information on major customers of the Group for the years ended December 31, 2022 and 2021 is as follows:

	<u>For the year ended December 31, 2022</u>		<u>For the year ended December 31, 2021</u>	
	<u>Income</u>	<u>Segment</u>	<u>Income</u>	<u>Segment</u>
West Coast Expressway Northern Region Temporary Engineering Office, MOTC	2,019,385	Kung Sing	1,685,636	Kung Sing
Taiwan Power Company	882,262	As above	995,518	As above
Taiwan International Ports Co., Ltd	728,373	As above	372,234	As above
Directorate General of Highways, MOTC	354,300	As above	263,268	As above

Kung Sing Engineering Corporation and Subsidiaries  
Endorsements and Guarantees for Others  
For the Year Ended December 31, 2022  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 1

No.	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party (Note 4)	Maximum endorsements/ guarantees amount for the period	Endorsements/ guarantees balance amount at December 31, 2020	Used amount	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China
1	Kung Sing Development	Note 1	Note 3	9,845,604	173,936	108,000	108,000	108,000	0.03	19,691,208	N	N	N

Note 1: Kung Sing Development Co., Ltd. and the landowners of the joint construction and separate sale (other related parties-Pan, jun-rong).

Note 2: According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the Company shall not exceed octuple paid-up capital of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed quadruple paid-up capital of the Company. According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the subsidiary shall not exceed octuple paid-up capital of the parent company and the amount of endorsements/guarantees provided by the subsidiary for any single entity shall not exceed quadruple paid-up capital of the parent company.

Note 3: Inter-insurance companies based on contractual requirements for inter-departmental or co-creation between contractors.

Kung Sing Engineering Corporation and Subsidiaries  
Holding of Marketable Securities at December 31, 2022 (Investment in Subsidiaries, Affiliates and Joint Ventures Excluded)  
December 31, 2022  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 2

Securities held by	Types and names of securities	Relationship with the securities issuer	Account title	At December 31, 2022				Footnote
				Number of shares (thousand shares)	Book value	Ownership (%)	Fair value	
The Company	Kung Ting Steel Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	3,240	\$ 73,901	18.00	\$ 73,901	Note 1
As above	Chieh Pang Management Consultant Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	300	3,444	6.00	3,444	Note 1
As above	Chien Ping Technology Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	370	-	14.23	-	Note 1 and Note 2
					<u>\$ 77,345</u>		<u>\$ 77,345</u>	
Chan Pang Industrial Co., Ltd	China Airlines Company Limited.	None	Financial assets at fair value through profit or loss - current	500	\$ 9,500	-	\$ 9,500	Note 1
As above	Yang ming shipping co., ltd.	As above	Financial assets at fair value through profit or loss - current	100	6,550	-	6,550	Note 1
As above	Taiwan Jingxing Technology Co., Ltd.	As above	Financial assets at fair value through profit or loss - current	20	1,056	-	1,056	Note 1
As above	Evergreen marine co., ltd.	As above	Financial assets at fair value through profit or loss - current	20	3,260		3,260	Note 1
					<u>\$ 20,366</u>		<u>\$ 20,366</u>	



Note 1: No pledge guarantee.

Note 2: The Company has fully recognized the losses due to operating losses.

Kung Sing Engineering Corporation and Subsidiaries  
The Statement and Amount of Significant Inter-company Transactions and Business Relationship  
December 31, 2022

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 3

No.(Note 1)	Trader	Trade counterpart	Relationship with trader(Note 2)	Transaction statement			The proportion of the amount to consolidated total revenue or total assets (note 3)
				Accounts	Amount	Transaction terms	
0	The Company	Kung Sing Development Co., Ltd.	1	Rent income	\$ 1,537	Note 5	0.03%
1	Kung Sing Development Co., Ltd.	The Company	2	Rent expense	1,537	Note 5	0.03%

Note 1: The business transaction information between the parent company and its subsidiaries should be indicated in the number column respectively. The method of filling in the number is as follows:

(1) Fill in 0 for the parent company.

(2) Subsidiaries are numbered sequentially starting from the Arabic numeral 1 according to the company.

Note 2: There are the following three types of relationship with the trader, and the type of indication is sufficient (if it is the same transaction between a parent company and a subsidiary or between subsidiaries, there is no need to disclose it repeatedly. For example: for a transaction between a parent company and a subsidiary company, if the parent company If it has already been disclosed, the part of the subsidiary does not need to be disclosed repeatedly;

Subsidiary-to-subsidiary transactions, if one subsidiary has already disclosed, the other subsidiary does not need to disclose repeatedly):

(1) Parent company to subsidiary company.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets, if it is an asset and liability item, is calculated by the balance at the end of the period as a percentage of the consolidated total assets; if it is a profit and loss item, the accumulated amount in the period is used to account for the consolidated total. The method of receipt is calculated.

Note 4: The standard for disclosure is those with a transaction amount of NT\$700 or more.

Note 5: Payment is made according to the contract.

Kung Sing Engineering Corporation and Subsidiaries  
Names, Locations and Other Information of Investees Companies (Investees in Mainland China Excluded)  
December 31, 2022  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 4

Investor	Investee	Location	Main business activities	Initial investment amount		Hold at the end of the period			Profit and loss of the investee for the period	Investment gains and losses recognized for the period	Footnote
				Balance at December 31, 2022	Balance at December 31, 2021	Number of shares (thousand shares)	Ownership (%)	Book value			
The Company	Chan Pang Industrial Co., Ltd.	Taiwan	Construction and development of buildings and houses and general investment	\$ 590,000	\$ 590,000	59,000	100	\$ 824,570	(\$ 6,807)	(\$ 6,807)	Subsidiary
As above	Kung Sing Development Co., Ltd.	Taiwan	Construction and development of buildings and houses	673,400	673,400	70,000	100	609,611	( 5,086)	( 5,086)	Subsidiary

Kung Sing Engineering Corporation and Subsidiaries

Information of Major Shareholder  
December 31, 2022

Table 5

Name of major shareholder	Shares	
	Holding shares amount (thousand shares)	Ownership(%)
Pan, jun-rong	40,220	8.17
Pan, guan-ru	27,100	5.50
Li, kuei-mei	24,883	5.05

## Independent Auditors' Report Translated from Chinese

To the Boards of Directors and Stockholders of Kung Sing Engineering Corporation

### Opinion

We have audited the accompanying parent company only balance sheets of Kung Sing Engineering Corporation (the "Company") as at December 31, 2022 and 2021, as well as the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to *Other matter* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, as well as its parent company only financial performance and its parent company only statement of cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

### **Assessment of Construction Contract Estimated Total Cost**

#### Description

Refer to Note 4 (27) for accounting policies on construction contract revenue, Note 5 for significant judgments, accounting estimates and uncertainty of assumptions adopted in the construction contract accounting policy, and Note 6 (17) for the contract assets and liabilities of the Company were respectively NT\$1,405,840(thousand) and NT\$200,838(thousand) at December 31, 2022.

The engineering revenue and cost of the Company is mainly generated by constructing civil projects. The accurate estimates of the construction contract result are recognized by the percentage of incurred construction cost or the owner's assessment of pricing progress accounts for the estimated total cost, or recognized gradually over time based on the milestones agreed in the contract.

Due to the estimated total cost is assessed and judged from construction properties, estimated subcontract amount, duration, construction operation and methods by the management. It's highly uncertain, which may affect the revenue calculation of the project. Therefore, we included assessment of construction contract estimated total cost as one of the key matters for audit.

#### Procedure

We performed the following audit procedures on the above key audit matter:

5. Evaluated the reasonableness of the policies and procedures of estimated total cost based on understanding of the industry properties and operation, including the assessment basis of the estimated total cost of the same properties construction contracts in the past.
6. Obtained the projects with significant changes in the estimated total cost for the period, reviewed the changes description. And confirmed the appropriate approval of the head of authority or obtained the supporting information of owner's changing contract agreement.
7. Selected samples of outsourced contracts, for the un-outsourced contracts, we evaluated the basis and reasonableness of estimated cost.
8. Verified the proportion of actual cost to estimated total cost and compared it with the owner's accepted completion progress to assess the reasonableness of the estimated total cost. If there was any difference, we obtained the management's description and assessed the reasonableness.

## **Achievability of Deferred Tax Assets**

### Description

Refer to Note 4 (24) for the deferred tax assets accounting policies, Note 5 for the accounting estimates of the deferred tax assets achievability and the uncertainty of assumptions, and Note 6 (24) for the deferred tax assets of the Company were NT\$41,788(thousand) at December 31, 2022.

Deferred tax asset is recognized only if it is likely to be used to deduct future taxable income. The estimated future income statement and potential taxable income used to assess the achievability of deferred tax assets involved subjective judgment of the management. We consider that the judgments mentioned above are related to the prediction of future and the assumptions used are highly uncertain and the estimates have a significant impact on taxable income. Therefore, we included the achievability of deferred tax assets as one of the key matters for audit.

### Procedure

We performed the following audit procedures on the above key audit matter:

5. Obtained future operating plan and estimated income statement approved by management.
6. Compared the estimated future income statement with past results.
7. Inspected the reasonableness of the items and amount of the estimated income statements adjusted to the future taxable income.
8. Evaluated the achievability of deferred tax assets by comparing the estimated taxable income with the tax loss of the past year.

## **Other Matters – Audits of the Other Independent Accountants**

We did not audit the financial statements of investments using equity method of the Company for the years ended December 31, 2022 and 2021, but audited by other independent accountants. Therefore, the amount of financial statements and the relevant information disclosed in Note 13 and our opinions expressed herein is based solely on the audit report of the other independent accountants. The balance of investments using equity method amounted to NT\$609,611 thousand and NT\$614,697 thousand, constituting of 8.3% and 7.9% of total assets at December 31, 2022 and 2021, respectively, and the total comprehensive income recognized to net loss NT\$5,086 thousand and net profit NT\$3,888 thousand, constituting of 1,863% and 18.8% of total comprehensive income for the years then ended, respectively.

## **Responsibilities of Management and those Charged with Governance for Parent Company Only Financial Statements**

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

## **Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objective are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GASS will always detect a 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.

Accordance with ROC GASS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

7. Identify and assess the risk of misstatement of parent company only financial statements whether due to fraud or error, design and perform appropriate countermeasures for the 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.
8. Obtain an understanding of internal control of relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing



an opinion on the effectiveness of Company's internal control.

9. Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. 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 Company's ability of to continue as a going concern. If we concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance the group audit, and concluding audit opinions on parent company only financial statements.

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 provided those charged with governance with a statement that we have complied with the 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 parent company only financial statement of the current period and are therefore the key audit matters. We describe these

matters in our auditor's 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.

Accountant

Lin, Se-kai

Wen, Ya-fang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

**Kung Sing Engineering Corporation**  
**Parent Company Only Balance Sheets**  
**December 31, 2022 and 2021**  
(Expressed in thousands of New Taiwan dollars)

Assets		Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,007,734	14	\$ 740,030	10
1136	Financial assets at amortised cost - current	6(2),8	1,795,506	25	2,288,784	30
1140	Contract assets-current	6(17)	1,405,840	19	1,814,033	23
1170	net accounts receivable		172,494	3	-	-
1200	Other receivables		6,594	-	9,515	-
1220	Current tax assets		-	-	3,818	-
1410	Prepayments		19,366	-	26,261	-
1460	Non-current assets for sale, net	6(8)	-	-	25,153	-
1479	Other current assets-other		21,000		21,000	-
1482	Fulfilling contract cost-net current	6(3)	<u>593,257</u>	<u>8</u>	<u>565,765</u>	<u>7</u>
11XX	<b>Total current assets</b>		<u>5,021,791</u>	<u>69</u>	<u>5,494,359</u>	<u>70</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income-non-current	6(4)	77,345	1	92,455	1
1550	Investments using equity method	6(5)	1,434,181	20	1,446,074	19
1600	Property, plant and equipment	6(6), 8	244,921	3	238,999	3
1755	Right-of-use assets	6(7)	34,446	-	41,172	1
1760	Investment property, net	6(8), 8	354,176	5	363,175	5
1780	Intangible assets		5,091	-	2,088	-
1840	Deferred income tax assets	6(24)	41,788	1	88,270	1
1900	Other non-current assets	6(9)(13), 8	<u>101,621</u>	<u>1</u>	<u>32,398</u>	<u>-</u>
15XX	<b>Total non-current assets</b>		<u>2,293,569</u>	<u>31</u>	<u>2,304,631</u>	<u>30</u>
1XXX	<b>Total assets</b>		<u>\$ 7,315,360</u>	<u>100</u>	<u>\$ 7,798,990</u>	<u>100</u>

(Continued)

**Kung Sing Engineering Corporation**  
**Parent Company Only Balance Sheets**  
**December 31, 2022 and 2021**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 310,000	4	\$ 390,000	5
2130	Contract liabilities-current	6(17)	200,838	3	779,814	10
2150	Notes payable		436,545	6	252,028	3
2170	Accounts payable		494,078	7	631,970	8
2200	Other payables		41,129	-	36,028	1
2230	Current income tax liabilities		1,005	-	10,571	-
2250	Provisions for liabilities-current	6(12), 9	43,416	1	7,132	-
2280	Lease liabilities-current		12,332	-	14,410	-
2300	Other current liabilities	6(11)	292,039	4	92,224	1
21XX	<b>Total current liabilities</b>		<u>1,831,382</u>	<u>25</u>	<u>2,214,177</u>	<u>28</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(11)	62,556	1	100,000	1
2550	Provisions for liabilities-non-current	6(12), 9	75,041	1	110,294	2
2570	Deferred income tax liabilities	6(24)	332	-	-	-
2580	Lease liabilities-non-current		22,785	-	27,339	-
2600	Other non-current liabilities	6(13)	38,875	1	63,064	1
25XX	<b>Total non-current liabilities</b>		<u>199,589</u>	<u>3</u>	<u>300,697</u>	<u>4</u>
2XXX	<b>Total liabilities</b>		<u>2,030,971</u>	<u>28</u>	<u>2,514,874</u>	<u>32</u>
<b>Equity</b>						
	Share capital	6(14)				
3110	Common stock		4,922,802	67	4,922,802	63
	Capital surplus	6(15)				
3200	Capital surplus		519	-	519	-
	Retained earnings	6(16)				
3310	statutory surplus reserve		83,054	1	79,967	1
3350	Undistributed earnings (for covering deficit)		257,165	4	244,869	3
	Other equity	6(4)				
3400	Other equity		20,849	-	35,959	1
3XXX	<b>Total equity</b>		<u>5,284,389</u>	<u>72</u>	<u>5,284,116</u>	<u>68</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 7,315,360</u>	<u>100</u>	<u>\$ 7,798,990</u>	<u>100</u>

The accompanying notes are an integral part of these Individual financial statements.

**Kung Sing Engineering Corporation**  
**Parent Company Only Statements of Comprehensive Income**  
**For the Years Ended December 31, 2022 and 2021**  
(Expressed in thousands of New Taiwan dollars, except losses per share amounts)

Items	Note	Years ended December 31			
		2022		2021	
		Account	%	Account	%
4000 Operating revenue	6(17), 7	\$ 4,624,692	100	\$ 3,550,232	100
5000 Operating cost	6(22), 7	( 4,405,589)	( 95)	( 3,253,494)	( 92)
5900 Operating gross profit (loss)		219,103	5	296,738	8
5920 Realized gross profit on sales	6(5)	-	-	2,466	-
5950 Operating gross profit (loss), net		219,103	5	299,204	8
Operating expenses					
6200 General and administrative expenses	6(22)(23)	( 161,615)	( 4)	( 162,051)	( 4)
6450 Expected credit impairment loss	12(2)	( 14,200)	-	( 61,669)	( 2)
6000 Total operating expenses		( 175,815)	( 4)	( 223,720)	( 6)
6900 Operating profit (loss)		43,288	1	75,484	2
Non-operating income and expenses					
7100 Interest income	6(18)	30,457	-	1,596	-
7010 Other income	6(19), 7	16,321	-	22,796	1
7020 Other gains and losses	6(20), 7	( 10,075)	-	( 18,255)	( 1)
7050 Financial costs	6(21)	( 10,286)	-	( 6,559)	-
Shares of income recognized by equity method of subsidiaries, affiliates and joint ventures					
7070	6(5)	( 11,893)	-	4,040	-
7000 Total non-operating income and expenses		14,524	-	3,618	-
7900 <b>Net profit (loss) before tax</b>		57,812	1	79,102	2
7950 Income tax expenses	6(24)	( 47,050)	( 1)	( 43,921)	( 1)
8200 <b>Net profit (loss) for the period</b>		\$ 10,762	-	\$ 35,181	1
<b>Other comprehensive income, net</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Remeasurements of defined benefit plans	6(13)	\$ 5,776	-	(\$ 142)	-
Unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income					
8316	6(4)	( 15,110)	-	( 14,393)	-
Income tax of related to components of other comprehensive income that will not be reclassified to profit or loss					
8349	6(24)	( 1,155)	-	28	-
Total amount of components of other comprehensive income that will not be reclassified to profit or loss					
8310		( 10,489)	-	( 14,507)	-
8300 <b>Other comprehensive income (net)</b>		(\$ 10,489)	-	(\$ 14,507)	-
8500 <b>Total comprehensive income for the period</b>		\$ 273	-	\$ 20,674	1
9750 Basic earnings (losses) per share	6(25)	\$	0.02	\$	0.07
9850 Diluted earnings (losses) per share	6(25)	\$	0.02	\$	0.07

The accompanying notes are an integral part of these Individual financial statements.

**Kung Sing Engineering Corporation**  
**Parent Company Only Statements of Changes in Equity**  
**For the Years Ended December 31, 2022 and 2021**  
(Expressed in thousands of New Taiwan dollars)

Note	Retained earnings				Unrealized gains and losses from financial assets at fair value through other comprehensive income	Total equity
	Common stock	capital reserve	statutory surplus reserve	Undistributed earnings		
<u>For the year ended December 31, 2020</u>						
Balance at January 1, 2021	\$ 4,475,274	\$ 519	\$ -	\$ 799,673	\$ 46,802	\$ 5,322,268
Net profit for the period	-	-	-	35,181	-	35,181
Other comprehensive income for the period	-	-	-	( 114)	( 14,393)	( 14,507)
Total comprehensive income for the period	-	-	-	35,067	( 14,393)	20,674
Earnings Appropriation and Distribution:						
Appropriation of statutory surplus reserve	-	-	79,967	( 79,967)	-	-
Common stock cash dividend	-	-	-	( 58,178)	-	( 58,178)
common stock dividends	447,528	-	-	( 447,528)	-	-
The difference between the actual acquisition or disposal of the equity price of the subsidiary company and the book value	-	-	-	( 648)	-	( 648)
Disposal of equity instruments at fair value through other comprehensive profit or loss	-	-	-	( 3,550)	3,550	-
Balance at December 31, 2021	<u>\$ 4,922,802</u>	<u>\$ 519</u>	<u>\$ 79,967</u>	<u>\$ 244,869</u>	<u>\$ 35,959</u>	<u>\$ 5,284,116</u>
<u>For the year ended December 31, 2022</u>						
Balance at January 1, 2022	\$ 4,922,802	\$ 519	\$ 79,967	\$ 244,869	\$ 35,959	\$ 5,284,116
Net profit for the period	-	-	-	10,762	-	10,762
Other comprehensive income for the period	-	-	-	4,621	( 15,110)	( 10,489)
Total comprehensive income for the period	-	-	-	15,383	( 15,110)	273
Earnings Appropriation and Distribution:						

Appropriation of statutory surplus reserve	-	-	3,087	( 3,087)	-	-
Balance at December 31, 2022	<u>\$ 4,922,802</u>	<u>\$ 519</u>	<u>\$ 83,054</u>	<u>\$ 257,165</u>	<u>\$ 20,849</u>	<u>\$ 5,284,389</u>

The accompanying notes are an integral part of these individual financial statements.

Kung Sing Engineering Corporation  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021  
(Expressed in thousands of New Taiwan dollars)

	Note	For the years ended December 31	
		2022	2021
<u>Cash Flows from Operating Activities</u>			
Net profit before tax		\$ 57,812	\$ 79,102
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets and investment property)	6(20)(22)	36,559	30,677
Amortization	6(21)(22)	2,000	2,174
Expected credit loss	12(2)	14,200	61,669
Interest expense	6(21)	10,286	6,560
Interest income	6(18)	( 30,457)	( 1,596)
Dividend income	6(19)	( 6,611)	( 3,363)
Shares in losses (profit) of affiliates and joint ventures accounted for using equity method	6(5)	11,893	( 4,040)
Inter-affiliate realized gross profit	6(5)	-	( 2,466)
Gains on disposal of property, plant and equipment	6(20)	-	( 667)
Impairment reversal gains on investment property	6(8)	-	( 1,053)
Impairment loss on property, plant and equipment	6(6)	1,919	9,762
Lease Modification Benefit	6(7)	( 34)	( 6)
Rent concession benefits	6(19)	( 180)	( 154)
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets		393,993	305,709
Accounts receivable		( 172,494)	-
Other receivables		2,952	4,219
Prepayments		6,895	( 6,643)
Other current assets increase		-	( 116)
Cost of fulfilling contracts		( 27,492)	( 21,006)
Decrease in other non-current assets		-	6,510
Net changes in operating liabilities			
Contract liabilities		( 578,976)	( 480,091)
Notes payable		184,517	( 77,594)
Accounts payable		( 137,892)	( 7,684)
Other payables		5,171	( 41,197)
Provisions for liabilities		1,031	( 68,195)
Other current liabilities		207	( 478)
Net defined benefit liabilities		( 3,543)	( 3,329)
Cash outflows generated from operations		( 228,244)	( 213,296)
Interest received		30,426	1,496
Interest paid		( 10,176)	( 5,613)
Dividend received		6,611	3,363
Income tax refunded		3,817	-
Income tax paid		( 10,956)	-
Net cash outflows from operating activities		( 208,522)	( 214,050)

(Continued)



**Kung Sing Engineering Corporation**  
**Parent Company Only Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**  
(Expressed in thousands of New Taiwan dollars)

	Notes	<u>For the years ended December 31</u>	
		<u>2022</u>	<u>2021</u>
<b><u>Cash Flows From Investing Activities</u></b>			
To acquire financial assets at amortised cost		(\$ 2,311,687)	(\$ 2,807,643)
Disposal of financial assets acquired at amortized cost		2,804,965	2,470,779
Proceeds from acquisition of property, plant and equipment	6(26)	( 45,627)	( 25,283)
Proceeds from disposal of property, plant and equipment		-	667
Proceeds from acquisition of intangible assets	6(26)	( 3,391)	( 1,518)
Margin deposits increase		( 48,454)	( 114,505)
Margin deposits decrease		3,866	261,153
Disposal of financial assets at fair value through other comprehensive profit or loss	7(2)	-	6,450
Investments using equity method-subsi-dary balance repatriated	6(5)	-	153,400
Obtaining the equity price of the subsidiary	6(5)	-	( 253,400)
Disposal of non-current assets to be sold		<u>25,153</u>	<u>-</u>
Net cash inflows (outflows) from investing activities		<u>424,825</u>	<u>( 309,900)</u>
<b><u>Cash Flows From Financing Activities</u></b>			
Borrow short-term borrowings	6(27)	880,000	465,000
Repayment of short-term borrowings	6(27)	( 960,000)	( 140,000)
Borrow long-term borrowings	6(27)	70,611	100,000
Repayment of long-term borrowings	6(27)	( 75,500)	( 4,609)
Increase in deposits received	6(27)	340,752	36,837
Decrease in deposits received	6(27)	( 190,231)	( 27,343)
Lease liability principal payments	6(27)	( 14,231)	( 12,242)
Pay cash dividends	6(16)(27)	<u>-</u>	<u>( 58,178)</u>
Net cash inflows from financing activities		<u>51,401</u>	<u>359,465</u>
Increase (Decrease) in cash and cash equivalents for the period		267,704	( 164,485)
Cash and cash equivalents balance at beginning of the period		<u>740,030</u>	<u>904,515</u>
Cash and cash equivalents balance at end of the period		<u>\$ 1,007,734</u>	<u>\$ 740,030</u>

The accompanying notes are an integral part of these individual financial statements.

Kung Sing Engineering Corporation  
Notes to the Parent Company Only Financial Statements  
December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

5. History of the Company

- (3) Kung Sing Engineering Corporation (the "Company") was established in February 1947. The main business activities of the Company are the construction and repairing of roads and bridges.
- (4) The Company's shares had been listed and traded on Taipei Exchange since November 18, 1999 and was officially terminated on December 18, 2012 then have been listed and traded on the Taiwan Stock Exchange.

6. The Date and Procedure of Authorization for Issuance of the Financial Statements

The parent company only financial statements were reported to and issued by the Board of Directors on March 14, 2023.

7. Application of New Standards, Amendments and Interpretations

- (2) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, "Index to Conceptual Framework"	January 1, 2022
Amendments to IAS 16, " Real property, plant and equipment: the price before reaching the intended state of use"	January 1, 2022
Amendments to IAS 37, "Onerous contract - cost of fulfilling the contract"	January 1, 2022
Annual Improvement for 2018-2020 Cycle	January 1, 2022

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, "Accounting policy disclosure"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12, "Deferred income tax relating to assets and liabilities arising from a single transaction"	January 1, 2023

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(4) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined by International Accounting Standards Board
Amendments to IFRS 16, "Lease liabilities in sale and leaseback"	January 1, 2024
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS 1, "Classification of Current or Non-current Liabilities"	January 1, 2024
Amendments to IAS 1, "Non-current liabilities with contractual terms"	January 1, 2024

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

8. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(30) Compliance statement

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(31) Basis of preparation

- C. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- d. Financial assets at fair value through other comprehensive income.
  - e. Defined benefit liabilities recognized based on the net amount of pension plan assets deduct present value of defined benefit obligation
- D. The financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations (collectively referred to herein as "IFRS") that are recognized and issued by FSC in force, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(32) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars.

A. Foreign currency transactions and balances

- a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation at the balance sheet date are recognized in profit or loss.
- c. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date;

their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- d. All foreign exchange gains and losses are presented in the comprehensive income statement within "Other gains and losses".

(33) Classification of current and non-current items

As the operating cycle for construction contracts usually exceeds one year, the Company uses the operating cycle as its criteria for classifying current and non-current assets and liabilities related to construction contracts. For other assets and liabilities the criterion is as follows:

C. Assets that meet one of the following criteria are classified as current assets:

- e. Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- f. Assets held mainly for trading purposes;
- g. Assets that are expected to be realized within twelve months from the balance sheet date;
- h. Cash, excluding restricted cash that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Those that do not meet the above-mentioned criteria are classified as non-current assets.

D. Liabilities that meet one of the following criteria are classified as current liabilities:

- e. Liabilities that are expected to be settled within the normal operating cycle;
- f. Liabilities arising mainly from trading purposes;
- g. Liabilities that are to be settled within twelve months from the balance sheet date;
- h. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

Those that do not meet the above-mentioned criteria are classified as non-current liabilities.

(34) Cash equivalents

Equivalent cash refers to short-term and highly liquid investments that can be converted into fixed amounts of cash at any time with minimal risk of value changes (including fixed deposits within 12 months of the contract period)

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

- E. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- F. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

- G. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized in revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(36) Financial assets measured at amortised cost

- A. Refers to those who meet the following conditions at the same time:
  - a. The financial asset is held under an operating model whose purpose is to collect contractual cash flows.
  - b. The contractual terms of the financial asset generate cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.
- B. The Group uses trade date accounting for financial assets measured at amortised cost in accordance with trading conventions.
- C. The Group measures its fair value plus transaction costs at the time of original recognition, and subsequently recognizes interest income and impairment losses during the circulation period using the effective interest method and amortization procedure. Losses are recognised in profit or loss.

(37) Accounts and notes receivable

- C. Accounts and notes receivable entitle the Company a legal right to unconditionally receive consideration in exchange for transferred goods or services.
- D. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(38) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(39) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(40) Leasing arrangements (lessor)-operating lease

During the lease term, the gains of operating lease deduct incentives given to lessee is recognized in current income on a straight-line basis over the lease term.

(41) Non-current assets for sale (or disposal groups)

Non-current assets for sale (or disposal groups) are classified as assets for sale when the carrying amount is mainly recovered through sales transactions rather than continuously use and highly likely to be sold. And is decided by the amount of book value or fair value deducts cost of sale.

(42) Investment or subsidiary using equity method

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses on transactions between the Company and subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in current profit or loss, and its share of post-acquisition movements in other comprehensive income is recognize in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize the losses in proportion to the ownership.
- D. When the Company loses the control of the subsidiary, the remaining investment in the previous subsidiary is remeasured at fair value. The difference between fair value and book value is recognized in current profit and loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as the basis for the Company to directly dispose of the related assets or liabilities, that is, if the profits or losses previously recognized in other comprehensive income will be reclassified as profit or loss when the related assets or liabilities are disposed of. When the Company loses the control of the subsidiary, the Company will reclassify to profits or losses from equity.
- E. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit or loss of the current period and other comprehensive income in the parent company only financial statements shall equal to current profit or loss and the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(43) Property, plant and equipment

- E. Property, plant and equipment are initially recorded at cost. The interest incurred during the construction period are capitalized.
- F. Subsequent costs are included in the asset's carrying amount or recognized in a separate, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All

other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- G. Except for land, property, plant and equipment apply cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- H. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Building and structure	37-53 years
Machine equipment	3-7 years
Transportation Equipment	4-6 years
Other equipment	3-9 years

(44) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

- E. Lease assets are recognized in a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognized in expense on a straight-line basis over the lease term.
- F. Lease liabilities are recognized at present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments conclude:
  - (c) Fixed payments deducts any lease incentives receivable.
  - (d) Variable lease payments depend on an index or a rate.The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- G. At the commencement date, the right-of-use asset is stated at cost, including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized in an adjustment to the right-of-use asset.
- H. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.



(45) Investment property

The investment property is stated initially at cost and measured subsequently by cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 or 53 years.

(46) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3-5 years.

(47) Impairment of non-financial assets

The Company assesses the recoverable amounts of those assets where there is an indication that they are impaired at each balance sheet date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value deducts costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(48) Borrowings

Borrowings are long-term and short-term borrowings from bank. Borrowings are recognized initially at fair value deducts transaction costs. Subsequently, for any difference between the proceeds after deduction of transaction costs and the redemption value is recognized in interest expense in profit or loss by effective interest method during amortization process in circulation period.

(49) Accounts and notes payable

- C. Accounts and notes payable are liabilities for purchasing of raw materials, goods or services and notes payable those resulting from operating and non-operating activities.
- D. The short-term accounts and notes payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(50) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(51) Provisions for liabilities

Provisions (including warranty liabilities, onerous contract, contingent liabilities of lawsuit, etc.) are recognized when the Company has a present legal or constructive obligation due to past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions for liabilities are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. Provisions for liabilities are not recognized for future operating losses.

(52) Employee benefits

D. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized in expense in that period when the employees render service.

E. Pensions

c. Defined contribution plans

The contributions are recognized in pension expense when they are due on an accrual basis. Prepaid contributions are recognized in an asset to the extent of a cash refund or a reduction in the future payments.

d. Defined benefit plans

(d) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date deducts the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the consolidated balance sheet date).

(e) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(f) Prior period service costs are recognized immediately in profit or loss.

F. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized in expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. In addition, some employee are paid by stock, and the basis for calculating the number of shares is the closing price of the day before the resolution date of the Board of Directors.

(53) Income tax

F. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

G. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where

appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- H. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. The deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- I. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- J. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(54) Common stock capital

Common stocks are classified as equity and directly attributable to incremental costs of issuing of new shares. The net amount after deducting income tax is recognized in the equity as a proceeds deduction.

(55) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(56) Revenue recognition

Project revenue from construction contracts

- e. The Company is engaged in civil projects construction. As the assets have been controlled by customers, the income is recognized gradually on the basis of the proportion of the engineering valuation and estimation progress to the total contract proceeds or contract milestones. When the completion of the contract performance obligations cannot be reasonably measured, contract revenue is only recognized within the scope of predictably recoverable cost.
- f. Contract is composed of fixed price and variable consideration. Variable consideration (such as contract change order, subsidy or incentive calculated by the days of construction period extension) is estimated by the expected value or the most likely amount based on the past experience. The Company only recognizes the contract revenue when the amount is highly likely not to be material reversal. The customers pay the contract proceed according to the agreed payment schedule, when the service provided by the Company exceeds the payables, the Company recognizes the contract revenue. When the payables exceed the service provided by the Company, the Company recognizes the contract revenue liabilities.
- g. The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.
- h. Cost of customer contract  
When the cost and contract generated from fulfilling the customer contract, or the identifiable, and predictably recoverable resources can be expected to satisfy performance obligations in the future, the Company recognizes the cost of fulfilling the contract as assets

6. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(4) Construction contract

The management assesses and judges estimated total cost and contract items by the characteristics of different projects, the estimated procurement amount, the construction period and the construction method. In case of changes in contract work, subsidies and incentives for construction period extension, the recognized construction revenue may be affected. The transaction proceeds of unfulfilled obligation of the Company's construction contract are described in Note 6 (17).

(5) The achievability of deferred income tax assets

Deferred tax asset is recognized only if it is likely to be sufficient taxable income used to deduct temporary differences. The assumptions about expected future revenue growth, profit margin and available income tax credits used to assess the achievability of deferred tax assets involved subjective judgment of the management. Any change regarding economic environment and law, may cause significant adjustments to deferred income tax assets.

As at December 31, 2022, the deferred income tax assets recognized by the Company was NT\$41,788.

7. Details of Significant Accounts

(10) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Check deposits and demand deposits	\$ 994,914	\$ 715,506
Cash on hand and revolving funds	12,820	6,524
Fixed deposit	-	18,000
	<u>\$ 1,007,734</u>	<u>\$ 740,030</u>

C. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

D. There has no cash pledged to others.

(11) Financial assets at amortised cost - current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Reserve account deposits	\$ 1,570,091	\$ 2,223,000
pledged time deposit	225,415	65,784
	<u>\$ 1,795,506</u>	<u>\$ 2,288,784</u>

E. The breakdown of financial assets measured at amortised cost recognised in profit or loss is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
interest income	\$ 3,187	\$ 1,232

F. Without considering other credit enhancements, the exposure amount that best represents the Group's holdings of financial assets with the greatest credit risk measured at amortized cost is its book value.

G. Please refer to Note 8 for details on the circumstances in which the Group provides financial assets measured at amortized cost as pledges.

- H. Please refer to Note 12(2) for information on the credit risk of financial assets measured by amortized cost.

(12) Cost of fulfilling contracts

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayment for materials and construction	\$ 514,827	\$ 493,608
Prepayment for construction insurance	78,430	72,157
	<u>\$ 593,257</u>	<u>\$ 565,765</u>

(13) Financial assets at fair value through other comprehensive income-non-current

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instruments		
Non-listed stocks	\$ 56,496	\$ 56,496
Valuation adjustments	20,849	35,959
	<u>\$ 77,345</u>	<u>\$ 92,455</u>

- D. The Company chooses to classify the equity instruments of strategic investment as financial assets at fair value through other comprehensive income. The fair value of the investments at December 31, 2022 and 2021 were NT\$77,345 and NT\$92,455, respectively.
- E. Due to the consideration of comprehensive investment benefits and market environment, the company will dispose of equity securities in 2022 and 2021, and recognize the disposal (loss) gain as NT\$0 and NT(\$3,550) respectively.
- F. The details of other equity instruments at fair value through other comprehensive income are as follows:

	<u>For the year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Fair value change recognized in other comprehensive income	<u>(\$ 15,110)</u>	<u>(\$ 14,393)</u>
Cumulative gains or losses reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>\$ 3,550</u>
Dividend profit recognized in profit or loss held at end of period	<u>\$ 6,611</u>	<u>\$ 3,363</u>

- G. The credit risk related information of the financial assets at fair value through other comprehensive income is described in Note 12 (2).

(14) Investment using equity method

Name of investee	December 31, 2022	December 31, 2021
Chan Pang Industrial Co., Ltd.	\$ 824,570	\$ 831,377
Kung Sing Development Co., Ltd	609,611	614,697
	\$ 1,434,181	\$ 1,446,074

- A. Please refers to the Company's consolidated financial statements for the year ended December 31, 2022 Note 4 (3) for the information of subsidiary.
- B. Investments using the mining equity method above are calculated based on the financial statements of the investee company that have been audited by accountants for the same period. The company's investment changes using the equity method are as follows:

	2022	2021
Balance at January 1	\$ 1,446,074	\$ 1,340,216
Increase in investments using the equity method	-	253,400
Shares of gains (losses) on investment using equity method	( 11,893)	4,040
Surplus distribution of investment using equity method	-	( 153,400)
Realized gross profit	-	2,466
The difference between the actual acquisition of the subsidiary's equity and the book value	-	( 648)
Balance at December 31	\$ 1,434,181	\$ 1,446,074

- C. The Company has adjusted the "investment using the equity method" due to the downstream transactions of the subsidiary's engineering projects undertaken in the past year, and the realized benefits generated in 2022 and 2021 are NT\$0 and NT\$2,466 respectively.





D. The company uses fair value as the recoverable amount for impairment test. The company refers to the evaluation results of independent evaluation experts. Since the estimated recoverable amount of some land, houses and buildings in 2022 and 2021 is less than the book value, it recognizes impairment loss They are NT\$1,919 and NT\$9,762 respectively.

E. Real estate owned by the company were the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, cost method or income method and classified as the level 3 fair value. The main assumption of the income method is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Income capitalization rate	1.79%	1.59%

F. Please refer to Note 8 for the information on the Company's collateral provided by property, plant and equipment.

(7) Leasing arrangements-lessee

- G. The Company leases various assets, including lands, buildings and transportation equipment. Lease contracts are typically made for periods of 2-9 years. Lease terms are negotiated on an individual basis and contain a wide range of different clauses and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- H. The lease period of some of the buildings and transportation equipment leased by the company does not exceed 12 months, and some of the underlying assets leased are low-value machinery and equipment
- I. The changes of right-of-use assets are as follows:

	2022			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 31,019	\$ 6,199	\$ 3,954	\$ 41,172
Additions	-	7,540	4,832	12,372
Lease modification	( 4,739)	-	-	( 4,739)
Depreciation expense	( 7,210)	( 4,025)	( 3,124)	( 14,359)
December 31	<u>\$ 19,070</u>	<u>\$ 9,714</u>	<u>\$ 5,662</u>	<u>\$ 34,446</u>

	2021			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 32,743	\$ 883	\$ 2,812	\$ 36,438
Additions	6,325	7,338	3,654	17,317
Lease modification	( 159)	-	-	( 159)
Depreciation expense	( 7,890)	( 2,022)	( 2,512)	( 12,424)
December 31	<u>\$ 31,019</u>	<u>\$ 6,199</u>	<u>\$ 3,954</u>	<u>\$ 41,172</u>

- J. The information on profit and loss accounts relating to lease contracts is as follows:

<u>Items affect profit or loss for the period</u>	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Interest expense on lease liabilities	\$ 709	\$ 672
Expense on short-term and low-value assets lease contracts	4,175	4,505
Lease Modification Benefit	34	6

- K. The Company's total lease cash outflows for the years ended December 31, 2022 and 2021 were NT\$19,115 and NT\$17,419, respectively.

- L. The Company adopts the practical expedient of "COVID-19 related rent concessions", and recognizes the benefits of changes in lease payments arising from rent concessions as other income of NT\$180 and NT\$154 in 2022 and 2021. .

(8) Investment property

	2022		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 197,220	\$ 260,627	\$ 457,847
Accumulated depreciation and impairment	-	( 94,672)	( 94,672)
	<u>\$ 197,220</u>	<u>\$ 165,955</u>	<u>\$ 363,175</u>
January 1	\$ 197,220	\$ 165,955	\$ 363,175
Depreciation expense	-	( 8,999)	( 8,999)
December 31	<u>\$ 197,220</u>	<u>\$ 156,956</u>	<u>\$ 354,176</u>
December 31			
Cost	\$ 197,220	\$ 260,627	\$ 457,847
Accumulated depreciation and impairment	-	( 103,671)	( 103,671)
	<u>\$ 197,220</u>	<u>\$ 156,956</u>	<u>\$ 354,176</u>
	2021		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 209,220	\$ 294,730	\$ 503,950
Accumulated depreciation and impairment	-	( 107,044)	( 107,044)
	<u>\$ 209,220</u>	<u>\$ 187,686</u>	<u>\$ 396,906</u>
January 1	\$ 209,220	\$ 187,686	\$ 396,906
Depreciation expense	-	( 9,631)	( 9,631)
Transfer to Disposition for Sale	( 12,000)	( 13,153)	( 25,153)
Impairment loss reversal	-	1,053	1,053
December 31	<u>\$ 197,220</u>	<u>\$ 165,955</u>	<u>\$ 363,175</u>
December 31			
Cost	\$ 197,220	\$ 260,627	\$ 457,847
Accumulated depreciation and impairment	-	( 94,672)	( 94,672)
	<u>\$ 197,220</u>	<u>\$ 165,955</u>	<u>\$ 363,175</u>

G. The company signed a real estate sale and purchase contract in November 2021 to sell investment real estate located in Yongkang District, Tainan City. The total sale price is NT\$27,000. The transaction has been completed in January 2022. Ownership transfer and payment.

- H. Rental income and direct operating expense from the investment property are shown below:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Rental income from investment property	\$ <u>4,478</u>	\$ <u>4,044</u>
Direct operating expense arising from the investment property that generated rental income in the period	\$ <u>9,769</u>	\$ <u>9,674</u>
Direct operating expense arising from the investment property that did not generate rental income in the period	\$ <u>170</u>	\$ <u>1,045</u>

- I. The due date analysis of the lease payments leased out by the Company under operating leases is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Within a year	\$ 4,169	\$ 378
within two to five years	<u>1,550</u>	<u>536</u>
	<u>\$ 5,719</u>	<u>\$ 914</u>

- J. The fair value of the investment property held by the Company at December 31, 2022 and 2021 were NT\$540,710 and NT\$535,782, respectively, based on the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, land development analysis method and income method and classified as the level 3 fair value. The main assumption of the income method is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Income capitalization rate	1.77%-1.82%	1.50%-1.97%

- K. The Company uses fair value as the recoverable amount for impairment testing. The Company refers to the evaluation results of independent evaluation experts. The estimated recoverable amount of housing and structure is greater than the book value for the year ended December 31, 2022 and 2021. Therefore, the Company recognized gains on reversal of impairment NT\$0 and NT\$1,053 respectively.

- L. Please refer to Note 8 for the information on the Company's collateral provided by investment property.

(9) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Refundable deposits	\$ 75,359	\$ 30,771
prepaid equipment	24,585	1,518
Net defined benefit assets	1,662	-
Others	<u>15</u>	<u>109</u>
	<u>\$ 101,621</u>	<u>\$ 32,398</u>

(10) Short-term borrowings

<u>Type</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured borrowings	\$ 160,000	\$ 240,000
Unsecured borrowings	150,000	150,000
	<u>\$ 310,000</u>	<u>\$ 390,000</u>
Interest rate range	1.90%~2.04%	1.34%~1.61%

Please refer to Note 8 for details of the pledge collateral of short-term borrowings.

(11) Long-term borrowings

<u>Type of borrowings</u>	<u>Repayment period</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Medium-term secured borrowings	Amortized from 2022 to 2027	\$ 67,668	\$ -
"	Amortized from 2015 to 2022	-	72,557
"	After the project remittance ratio reaches 20%, it will be repaid in installments according to 30% of the project payment for each phase	<u>100,000</u>	<u>100,000</u>
Subtotal		167,668	172,557
Deduct: due within one year (recognized in "Other current liabilities")		<u>( 105,112)</u>	<u>( 72,557)</u>
		<u>\$ 62,556</u>	<u>\$ 100,000</u>
Interest rate range		1.86%~2.38%	1.75%~1.80%

B. KSC067 joint loan case

- a. On June 15, 2020, the company signed a joint credit agreement with nine financial institutions including Taipei Fubon Commercial Bank for medium-term unsecured joint lending, project performance bond and project prepayment repayment guarantee, with a total amount of NT\$4,000,000. On June 30, 2025, the main restriction is that the financial ratios in the annual consolidated financial statements shall be maintained as follows:

- (e) Current ratio (current assets/ current liabilities) shall not be less than 100%.  
(f) Liabilities ratio (total liabilities/ tangible net worth) shall not be greater than 200%.

- (g) Interest protection multiples [(income before tax+ interest expense+ depreciation and amortization)/ interest expense paid in the period] shall not be less than 200%.
- (h) Tangible net worth (net value-intangible assets) shall not be less than NT\$3,500,000
- b. As of December 31, 2022, the undrawn loan amount for this joint loan case was NT\$455,000, and the undrawn guarantee amount was NT\$996,064.
- C. In addition to the above-mentioned KCS067 joint loan case, the unutilized loan amount of the Company is NT\$810,000.
- D. Please refer to Note 12 (2) C. c. for details of the liquidity risks.
- E. Please refer to Note 8 for details of the pledge collateral of long-term borrowings.

(12) Provisions for liabilities

	2022			
	Warranty	Litigation loss	Engineering loss	Total
January 1	\$ 117,402	\$ -	\$ 24	\$ 117,426
Additions in the period	1,188	-	-	1,188
Used and transferred in the period	( 133)	-	( 24)	( 157)
December 31	<u>\$ 118,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,457</u>
Recognized as:				
Provisions for liabilities-current	<u>\$ 43,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,416</u>
Provisions for liabilities-non-current	<u>\$ 75,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,041</u>
	2021			
	Warranty	Litigation loss	Engineering loss	Total
January 1	\$ 154,821	\$ 30,800	\$ -	\$ 185,621
Additions in the period	30,733	-	2,644	33,377
Used and transferred in the period	( 68,152)	( 30,800)	( 2,620)	( 101,572)
December 31	<u>\$ 117,402</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 117,426</u>
Recognized as:				
Provisions for liabilities-current	<u>\$ 7,108</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 7,132</u>
Provisions for liabilities-non-current	<u>\$ 110,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,294</u>

C. Warranty

The Company's warranty provision of liabilities is mainly related to the construction contracts, and is estimated upon historical warranty data. The warranty provision of liabilities is expected to expire from 2023 to 2027.

D. Litigation loss

The Company's provision for litigation losses is mainly due to the construction contract's subcontractors and industrial safety incidents, and the management authorities have assessed and consulted legal opinions and listed the most probable litigation losses for legal litigations related to the construction. The company paid NT\$21,699 in compensation according to the judgment in March

2021. Although the remaining disputes were sent back to the High Court for retrial by the Supreme Court, both parties reached a settlement in August 2021, and the company paid NT\$2,100. The lawsuit was concluded, and NT\$7,001 was recognized as income from the reversal of liability provision based on the above results.

E. Engineering loss

The Company's engineering loss provision is mainly for fulfilling engineering contract obligations, and the estimated input cost exceeds the contract price that can still be collected.

(13) Net defined benefit liability

A. The Company has a defined benefit pension plan in accordance with the "Labor Standards Act", covering all regular employees' service years prior to the enforcement of the "Labor Pension Act" on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31 every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(a) Recognized amount in the balance sheet

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	(\$ 68,908)	(\$ 69,697)
Fair value of plan assets	70,570	62,040
Net defined benefit liability	<u>\$ 1,662</u>	<u>(\$ 7,657)</u>

(b) Changes in net defined benefit liability

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance, January 1	(\$ 69,697)	\$ 62,040	(\$ 7,657)
Service cost for the period	( 318)	-	( 318)
Interest income (expense)	( 447)	401	( 46)
Prior period service cost	498	-	498
	<u>( 69,964)</u>	<u>62,441</u>	<u>( 7,523)</u>

Remeasurements:

Return on plan assets	-	4,720	4,720
Changes in financial assumptions	2,709	-	2,709
Experience adjustments	(1,653)	-	(1,653)
	<u>1,056</u>	<u>4,720</u>	<u>5,776</u>
Pension fund contribution	-	3,409	3,409
Balance, December 31	<u>(\$ 68,908)</u>	<u>\$ 70,570</u>	<u>\$ 1,662</u>
		2021	
	Present value of	Fair value of	Net defined
	defined benefit obligation	plan assets	benefit liability
Balance, January 1	(\$ 68,129)	\$ 57,285	(\$ 10,844)
Service cost for the period	( 385)	-	( 385)
Interest income (expense)	( 202)	171	( 31)
	<u>( 68,716)</u>	<u>57,456</u>	<u>( 11,260)</u>
Remeasurements:			
Return on plan assets	-	839	839
Changes in demographic assumptions	( 117)	-	( 117)
Changes in financial assumptions	1,917	-	1,917
Experience adjustments	( 2,781)	-	( 2,781)
	<u>( 981)</u>	<u>839</u>	<u>( 142)</u>
Pension fund contribution	-	3,745	3,745
Balance, December 31	<u>(\$ 69,697)</u>	<u>\$ 62,040</u>	<u>(\$ 7,657)</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.



(d) The principal actuarial assumptions used were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Discount rate	<u>1.20%</u>	<u>0.65%</u>
Future salary increase rate	<u>2.00%</u>	<u>2.00%</u>

- I. Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.
- II. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,160)</u>	<u>\$ 1,192</u>	<u>\$ 1,179</u>	<u>(\$ 1,153)</u>
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,338)</u>	<u>\$ 1,378</u>	<u>\$ 1,356</u>	<u>(\$ 1,324)</u>

- i. The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.
  - ii. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.
- (e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 is NT\$974.
- (f) As of December 31, 2022, the weighted average duration of the pension plan is six years. The analysis of pension paid expired date is as follows:

Less than 1 year	\$	4,161
1-2 years		6,281
2-5 years		9,681
Beyond 5 years		<u>53,810</u>
	<u>\$</u>	<u>73,933</u>

- B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The

pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were NT\$7,751 and NT\$6,909, respectively.

(14) Common stock

C. As at December 31, 2022 and 2021, the Company's authorized capital is NT\$6,000,000, divided into 600,000 thousand shares. The paid-up capital was NT\$4,922,802. The par value per share is NT\$10. The payment of issued shares of the Company has been received.

Movements in the number of the Company's ordinary shares outstanding at the beginning and the end of the period are as follows:

	2022 <u>(thousand shares)</u>	2021 <u>(thousand shares)</u>
January 1	492,280	447,527
Surplus capital increase	-	44,753
December 31	<u>492,280</u>	<u>492,280</u>

D. The company passed the resolution of the shareholders' meeting on July 22, 2021 to transfer the capital with the undistributed surplus of NT\$447,528. The registration of the above-mentioned capital increase has been completed.

(15) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-up capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-up capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Retained earnings

F. The Company's Articles of Incorporation stipulates that if there is a surplus in the annual final accounts, the tax should be paid first to make up for the previous year's losses, and 10% of the remaining amount shall be set aside as legal reserve. If there is still a surplus plus beginning distributable surplus, the Board of Directors will propose some resolution and decide by Board of Shareholders. The shareholder dividends are distributed in two ways: stock dividends and cash dividends. The proportion of cash dividends is not less than 10% of the total shareholder dividends. When necessary, the surplus distribution could be set aside as special reserve before the dividend distribution.

G. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

- H. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to the special surplus reserve mentioned in the letter of the financial management certificate issued on April 6, 2012. When adopting IFRSs for the first time, the Company shall set aside the special reserve. The Company could use the reversal of the special reserve when the Company uses, disposes or reclassifies the relevant assets.
- I. The company's shareholders' meeting resolutions on June 29, 2022 and July 22, 2021, the profit distribution proposals for 2021 and 2020 are as follows:

	2021		2020	
	Amount NTD	Dividends per share (NTD)	Amount NTD	Dividends per share (NTD)
Make up for previous year losses	\$ -		\$208,357	
Appropriation of statutory surplus reserve	3,087		79,967	
stock dividend	-	\$ -	447,528	\$ 1.00
cash dividend	-	-	58,178	0.13

- a. Please refer to Note 6(14) for details on capital increase from undistributed surplus.
- b. The above-mentioned information on the distribution of earnings passed by the board of directors and the resolutions of the shareholders' meeting can be inquired at the Public Information Observatory
- J. As of March 14, 2023, the company's 2022 profit distribution proposal has not been resolved by the board of directors.

(17) Operating revenue

C. Details of customer contract revenue

The Company's revenue is derived from providing a gradual transfer of control of the project over time and generating related revenue in the reportable segment:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Over time	<u>\$ 4,624,692</u>	<u>\$ 3,550,232</u>

D. Contract assets and liabilities

The Company recognized the following customer contract revenue-related contract assets and liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract assets:		
Engineering construction contract	\$ 1,462,270	\$ 2,041,508
Project retention receivables	423,248	344,099
Deduct: allowance for loss	<u>( 479,678)</u>	<u>( 571,574)</u>
	<u>\$ 1,405,840</u>	<u>\$ 1,814,033</u>
Contract liabilities :		
Construction contract	<u>\$ 200,838</u>	<u>\$ 779,814</u>

(f) The expected recovery situation of project retention derives from construction contracts at December 31, 2022 and 2021 is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 186,676
2023	105,625	-
After 2024 (inclusive)	<u>317,623</u>	<u>157,423</u>
	<u>\$ 423,248</u>	<u>\$ 344,099</u>

(g) The Company's contract assets and liabilities change over time with the contraction performance obligations and timing of customer payment. In 2022 and 2021, due to the re-evaluation of the future recoverability of the invested construction costs according to recent court judgments, etc., the company has made provision for asset impairment losses of NT\$14,200 and NT\$54,453 respectively, resulting in changes in contract assets. Please refer to 12(2) and the description of Note 9.

(h) The company's contract liabilities on January 1, 2021 are NT\$1,259,905, and the contract liabilities at the beginning of the period will be NT\$779,814 and NT\$1,259,905 in 2022 and 2021 respectively.

(i) Transaction price to non-performance obligation As of December 31, 2022, the total amount of the transaction price to non-performance obligation was NT\$15,077,210. The Company will gradually recognize revenue as the completion of the construction projects. The projects will be completed from 2023 to 2027.

(j) Please refer to Note 12 (2) for details of the contract assets credit risk.

(18) Interest income

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Interest income from bank deposits	\$ 941	\$ 255
Interest income from financial assets measured at amortised cost	3,187	1,232
Deferred interest income	26,299	-
Other interest income	30	109
	<u>\$ 30,457</u>	<u>\$ 1,596</u>

(19) Other income

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Dividend income	\$ 6,611	\$ 3,363
Rental income	7,987	6,410
Debt provision is transferred to income	-	7,001
Gains on rent concessions	180	154
Others	1,543	5,868
	<u>\$ 16,321</u>	<u>\$ 22,796</u>

(20) Other gains and losses

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Gains on disposal of property, plant and equipment	\$ -	\$ 667
impairment loss	( 1,919)	( 8,709)
Investment property depreciation expense	( 8,999)	( 9,631)
Gains (Losses) on foreign exchange, net	1,012	( 391)
Others	( 169)	( 191)
	<u>(\$ 10,075)</u>	<u>(\$ 18,255)</u>

(21) Financial cost

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Interest expense:		
Bank loan	\$ 9,575	\$ 5,887
Interest expense on lease liabilities	709	672
Others	<u>2</u>	<u>-</u>
	<u>\$ 10,286</u>	<u>\$ 6,559</u>

(22) Additional information on the nature of expenses

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
construction cost	\$ 4,140,780	\$ 3,054,029
Employee benefit expense	\$ 302,353	\$ 235,861
Depreciation expense of property, plant and equipment	\$ 13,201	\$ 8,622
Depreciation expense of right-of-use assets	\$ 14,359	\$ 12,424
Amortization expense	<u>2,000</u>	<u>2,174</u>
	<u>\$ 4,472,693</u>	<u>\$ 3,313,110</u>

(23) Employee benefit expense

	For the year ended December 31, 2022		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 203,908	\$ 51,074	\$ 254,982
Labor and health insurance fees	20,419	4,251	24,670
Pension costs	5,748	1,869	7,617
Directors' remunerations	-	2,285	2,285
Other personnel expenses	<u>8,709</u>	<u>4,090</u>	<u>12,799</u>
	<u>\$ 238,784</u>	<u>\$ 63,569</u>	<u>\$ 302,353</u>

	For the year ended December 31, 2021		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 145,710	\$ 47,900	\$ 193,610
Labor and health insurance fees	16,135	3,458	19,593
Pension costs	5,036	2,289	7,325
Director's remunerations	-	3,767	3,767
Other personnel expenses	<u>8,190</u>	<u>3,376</u>	<u>11,566</u>
	<u>\$ 175,071</u>	<u>\$ 60,790</u>	<u>\$ 235,861</u>

C. In accordance with the Company's Articles of Incorporation, if there is a balance after deducting accumulated deficits from profit, the Company shall distribute bonus to the employees and pay remuneration to the directors that should be 3%-5% and not be higher than 3%, respectively, of the total distributed amount.

D. The estimation amount of the employees' compensation for the years ended December 31, 2022 and 2021 were NT\$3,043 and NT\$2,485, respectively; the estimation amount of the directors' remuneration were NT\$0 and NT\$1,242 respectively. The above-mentioned amount are recognized in wages and salaries. The employees' compensation and directors' remuneration were estimated and accrued based on an amount of 5% and 0% of distributable profit of current period for the year ended December 31, 2022. The estimated amount and employee remuneration payment method were approved by the board of directors on March 14, 2023.

The 2021 employee remuneration and directors' remuneration as resolved by the board of directors are NT\$2,485 and NT\$1,242 respectively, which are consistent with the amounts recognized in the 2021 financial report.

Information of the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained from the "Market Observation Post System".

(24) Income tax

G. Income tax expense

(c) Components of income tax expense:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Current tax:		
Current tax on profits for the year	\$ 1,389	\$ 10,700
Prior year income tax low (over) estimation	<u>2</u>	<u>2</u>
	<u>1,391</u>	<u>10,702</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>45,659</u>	<u>33,219</u>
Income tax expense	<u>\$ 47,050</u>	<u>\$ 43,921</u>

(d) Income tax amount relating to other comprehensive income:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Remeasurement of defined benefit obligation	<u>\$ 1,155</u>	<u>(\$ 28)</u>

H. Reconciliation between income tax expense and accounting profit:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Income tax calculated by applying statutory rate to the net loss before tax	\$ 11,562	\$ 15,820
Income loss that is exempt from taxation under the income tax law	1,056	( 1,481)
Income calculated according to the income tax law	27,253	-
Expenses that should be excluded according to the income tax law	300	79
Temporary differences not recognized as deferred tax assets	3,228	18,801
Changes in assessment of realizability of deferred tax assets	2,260	-
Surtax on undistributed retained earnings	1,389	10,700
Prior year income tax low (over) estimation	<u>2</u>	<u>2</u>
Income tax expense	<u>\$ 47,050</u>	<u>\$ 43,921</u>



I. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 1,896	\$ -	\$ -	\$ 1,896
Unrealized gross profit	3,450	-	-	3,450
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	1,530	( 707)	( 823)	-
Investment property impairment losses	418	-	-	418
Others	1,388	2	-	1,390
-Tax losses	76,399	( 44,954)	-	31,445
Subtotal	<u>\$ 88,270</u>	<u>(\$ 45,659)</u>	<u>(\$ 823)</u>	<u>\$ 41,788</u>
Deferred tax liabilities:				
-Temporary differences:				
Net defined benefit assets	-	\$ -	(\$ 332)	(\$ 332)
Total	<u>\$ 88,270</u>	<u>(\$ 45,659)</u>	<u>(\$ 1,155)</u>	<u>\$ 41,456</u>

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 16,360	(\$ 14,464)	\$ -	\$ 1,896
Unrealized litigation loss	6,160	( 6,160)	-	-
Unrealized gross profit	3,943	( 493)	-	3,450
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	2,168	( 666)	28	1,530
Investment property impairment losses	1,232	( 814)	-	418
Others	1,379	9	-	1,388
-Tax losses	87,185	( 10,786)	-	76,399
Subtotal	<u>\$ 121,616</u>	<u>(\$ 33,374)</u>	<u>\$ 28</u>	<u>\$ 88,270</u>
Deferred tax liabilities:				
-Temporary differences:				
Unrealized exchange profit	(\$ 155)	\$ 155	\$ -	\$ -
Total	<u>\$ 121,461</u>	<u>(\$ 33,219)</u>	<u>\$ 28</u>	<u>\$ 88,270</u>

- J. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2022				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2017(Filed amount)	\$ 310,913	\$ 28,653	\$ -	2027
2018(Filed amount)	128,575	128,575	-	2028
2020(Assessed amount)	1,246,240	1,246,240	1,246,240	2030

December 31, 2021				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2017(Filed amount)	\$ 310,913	\$ 253,426	\$ -	2027
2018(Filed amount)	128,575	128,575	-	2028
2020(Assessed amount)	1,246,240	1,246,240	1,246,240	2030

- K. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 777,680</u>	<u>\$ 761,958</u>

- L. The Company's profit-seeking enterprise income tax through 2020 has been approved by the Tax Authority.

(25) Earnings per share

	For the year ended December 31, 2022		
	Amount after tax	Retrospective adjustment of the weighted average number of outstanding shares (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders for the period	\$ 10,762	\$ 492,280	<u>\$ 0.02</u>
<u>Diluted earnings per share</u>			
Effect from dilutive potential ordinary shares-employees' compensation	-	522	
Net profit attributable to ordinary shareholders for the period plus effect from potential ordinary shares	<u>\$ 10,762</u>	<u>492,802</u>	<u>\$ 0.02</u>

For the year ended December 31, 2021

	<u>Amount after tax</u>	<u>Retrospective adjustment of the weighted average number of outstanding shares (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders for the period	\$ 35,181	\$ 492,280	<u>\$ 0.07</u>
<u>Diluted earnings per share</u>			
Effect from dilutive potential ordinary shares-employees' compensation	-	846	
Net profit attributable to ordinary shareholders for the period plus effect from potential ordinary shares	<u>\$ 35,181</u>	<u>493,126</u>	<u>\$ 0.07</u>

(26) Supplementary Cash Flow Information

Investment activities with only partial cash payment:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Acquisition of real estate, plant and equipment	\$ 21,042	\$ 25,283
Add: end-of-period advance payment for equipment	24,585	-
Less: Prepayment at the beginning of the period for equipment	-	-
Cash payment in the current period	<u>\$ 45,627</u>	<u>\$ 25,283</u>
Acquisition of intangible assets	\$ 4,909	\$ -
Add: end-of-period advance payment for equipment	-	1,518
Less: Prepayment at the beginning of the period for equipment	<u>( 1,518)</u>	-
Cash payment in the current period	<u>\$ 3,391</u>	<u>\$ 1,518</u>

(27) Changes in liabilities from financing activities

	<u>2022</u>					<u>Total liabilities from financing activities</u>
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Dividends payable</u>	
January 1	\$ 390,000	\$ 172,557	41,749	\$ 74,557	\$ -	\$ 678,863
Changes in cash flow from financing activities	( 80,000)	( 4,889)	( 14,231)	150,521	-	51,401
Interest expense paid (Note)	-	-	( 709)	-	-	( 709)
Changes in other non-cash items	-	-	8,308	-	-	8,308
December 31	<u>\$ 310,000</u>	<u>\$ 167,668</u>	<u>\$ 35,117</u>	<u>\$ 225,078</u>	<u>\$ -</u>	<u>\$ 737,863</u>
	<u>2021</u>					
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 65,000	\$ 77,166	\$ 36,839	\$ 65,063	\$ -	\$ 244,068
Changes in cash flow from financing activities	325,000	95,391	( 12,242)	9,494	(58,178)	359,465
Interest expense paid (Note)	-	-	( 672)	-	-	( 672)
Changes in other non-cash items	-	-	17,824	-	-	17,824
December 31	<u>\$ 390,000</u>	<u>\$ 172,557</u>	<u>\$ 41,749</u>	<u>\$ 74,557</u>	<u>(\$58,178)</u>	<u>\$ 620,685</u>

Note: Cash flow from operating activities listed in the table

(28) Transactions with non-controlling interests

On August 10, 2021, the Company purchased a 40% equity interest in its subsidiary Kung Sing Development Co., Ltd. (hereinafter referred to as "Kung Sing Development") for NT\$253,400 in cash. The book value of the non-controlling interests of Kung Sing Development on the acquisition date was NT\$252,752. The impact of changes in the interests of Industrial Development in 2021 on the equity attributable to owners is as follows:

	<u>August 10, 2021</u>
Carrying amount of non-controlling interests acquired	\$ 252,752
Consideration paid to non-controlling interests	<u>( 253,400)</u>
The difference between the actual acquisition price of the subsidiary's equity and the book value (reduction of "retained surplus")	<u>(\$ 648)</u>

8. Related Party Transactions

(3) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Kung Sing Development Co., Ltd. (Kung Sing Development)	Subsidiary
Chan Pang Industrial Co., Ltd. (Chan Pang Industrial )	Subsidiary
Chen, huang-ming	Key member of the management
Chiang, chi-ching	Key member of the management
P'an,kuan-ju	Key member of the management
Ch'uan fu Investment Co., Ltd.	Serving as a director of the company
Pan, jun-rong	Other related party

(4) Significant transactions with related parties

D. Rental income (recognized in "Other income")

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Kung Sing Development	\$ 1,537	\$ 1,537
Chan Pang Industrial	57	57
	<u>\$ 1,594</u>	<u>\$ 1,594</u>

The Company leased part of workplace to related party and the collection term is open account 30 days.

E. property transaction

a. Acquisition of equity in subsidiaries

On December 29, 2020, the board of directors referred to the expert evaluation report and decided it holds a total of 28,000,000 shares in its subsidiary, Kung Sing Development. Please refer to Note 6 (29) for details. The company signed an equity transaction contract on May 14, 2021. The base date of equity transfer is the date of receipt and payment of the price.

Among them, 16,000 thousand shares and 5,000 thousand shares were obtained from related parties Ch'uan fu Investment Co., Ltd. and Mr. Pan, jun-rong. The prices are NT\$144,800 and NT\$45,250 respectively.

b. Disposal of financial assets

The company signed an equity transaction contract on October 20, 2021, and sold all of its holdings of financial assets measured at fair value through other comprehensive gains and losses - cross-strait business development Co., Ltd. shares to Mr. Pan Junrong, a related person, at NT\$6,450. And recognize the disposal loss NT\$3,550, please refer to Note 6 (4).

The above-mentioned property transactions with related parties have all been received and paid, and the change registration has been completed.

F. Endorsement and guarantees

As of December 31, 2022 and 2021, part of the borrowings amount were endorsed by the Company's key members of management and other related parties.

G. Please refer to Note 13 for the Company loans to others and endorsements and guarantees for subsidiary.

(6) The compensation of key member of the management

	For the year ended December 31, 2022	For the year ended December 31, 2021
Short-term employee benefits	12,971	13,607
Post-employment benefits	320	281
	<u>\$ 13,291</u>	<u>\$ 13,888</u>

## 9. Pledged Assets

The details of the pledged assets are as follows:

Items	Book value		Purpose
	December 31, 2022	December 31, 2021	
Financial assets at amortised cost	\$ 1,795,506	\$ 2,288,784	Provided to banks and owners as a guarantee for short-term loans and construction performance guarantees
Property, plant and equipment	116,630	117,378	Short-term borrowings guarantee
Investment property	<u>304,381</u>	<u>313,103</u>	Long-term and short-term borrowings guarantee
	<u>\$ 2,216,517</u>	<u>\$ 2,719,265</u>	

## 10. Significant Contingent Liabilities and Unrecognized Contract Commitments

- (5) As of December 31, 2022, the amount issued but not used for purchasing goods by the Group was NT\$176,111, and the amount of the guarantee issued by the bank for the performance, advance construction receipts and warranty was NT\$3,101,184.
- (6) As of December 31, 2022, the amount of notes issued by the Group due to the lease contracts was NT\$8,950.
- (7) During the construction of the main bridge section and the connecting road of the Tamjiang Bridge contracted by the company, the employees of the subcontracted construction company were accidentally injured during the construction in October 2019, and then they were reported to Shilin on February 22, 2021. The court claimed that the company should be liable for damages, and the lawsuit amount was NT\$22,276. Since the infringing act is the subcontracting construction company, and if the company is jointly and severally liable for compensation by the court, it will claim compensation from the subcontracting construction company according to the contract, so the company has not provided for the relevant compensation losses. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- (8) The engineering litigation judgment and status as of December 31, 2022:
  - G. The Company won the tender for the Muzha Extension (Neihu line) CB410 Section Project put out by the Eastern District Project Office (First District Project Office for now), Department of Rapid Transit Systems, Taipei City Government. Both sides signed the project procurement contract on June 12, 2003. The Company has completed all projects and received the qualification approval from the Eastern District Project Office in December 2012. However, after the commencement of construction on June 16, 2003, various factors that are not attributable to the Company have affected the implementation of the aforementioned projects. The Eastern District Project Office approved 278 and 122 days extensions of time with the total number of 400 days. The related costs and expense increased due to the extensions of time. According to the contract, it should be adjusted to increase the project payment to indemnify. In December 2010, the Company filed a lawsuit with the Taipei District Court to the Eastern

District Project Office for payment of indemnification of extensions of time and the prejudgment interest. The related judgments are as follows:

- (c) The trial court judged that the First District Project Office shall pay the Company NT\$17,723 and 386 thousand US dollars and the prejudgment interest and dismissed other suits.
  - (d) Both the Company and the First District Project Office appealed against the judgment. The court of second instance has not yet rendered a judgment.
- H. The Company won the tender for the Taoyuan International Airport Access MRT System Construction Project CE02 Project put out by the Bureau of High Speed Rail, MOTC. The Company has completed all projects and received the qualification approval from the Bureau of High Speed Rail in May 2017. During the construction period, various factors that are not attributable to the Company have affected the implementation of the aforementioned projects. The Bureau of High Speed Rail approved 788 days extensions of time. But the two parties cannot reach neither an agreement nor a bargain price about the expense adjustment of work item, quantity and price. The company appealed to the Taipei District Court to pay the high-speed railway engineering bureau to pay the compensation for the extension of the construction period. In June 2022, the Taiwan High Court made a second-instance judgment that the high-speed rail engineering bureau should pay the company NT\$28,563 and its delayed interest. The High Speed Railway Engineering Bureau refused to accept the judgment and filed an appeal in July 2022. As of the date of the audit report, no judgment has been made.
- I. The Company won the tender for the Linkou Thermal Power Plant Refurbishment and Expansion Project-Diversion Dike of Water Outlet, Northern Jetty, Coal Unloading Pier, Connection Bridge and Other Associated Facilities Construction Project put out by the Northern Construction Office, Department of Nuclear and Fossil Power Projects, Taiwan Power Company. Both sides signed the project procurement contract on June 3, 2010. The Company has completed all projects and received the qualification approval from the Northern Construction Office. However, after the commencement of construction on June 14, 2010, various factors such as adverse weather conditions, rough sea, obstruction from fishermen, typhoon, the Chinese New Year and design modification that are not attributable to the Company have affected the implementation of the critical path of the project. The Northern Construction Office approved 19 times extensions of time with the total number of 568.5 days and the Company early completed the project at August 17, 2017. Therefore, the actual extensions of time is 561 days. Besides, after the commencement of construction, fishermen had repeatedly protested against Taipower from April 2011 to February 2013 and thus the Company changed the construction methods, resulted in increase of performance cost of construction ships halt and rubble land transportation. The related costs and expense increased due to the extensions of time and fishermen protest. According to the contract, it should be adjusted to increase the project payment to indemnify. In February 2020, the company filed a lawsuit with the New Taipei District Court in accordance with the law to request the Northern Construction Department to pay the extension of the construction period, the compensation due to the fishermen's protest and the interest on the delay. . The above-mentioned extension of construction period and



fishermen's protest lawsuits were rejected by the second-instance court in November 2021 and January 2022 respectively. The company was not satisfied with the above judgment and appealed to the Supreme Court. The court of third instance has not yet made a judgment, and the fishermen's protest lawsuit was rejected by the court of third instance in April 2022, and the whole case came to an end.

- J. The company won the bid for the "Consolidated Coal Bunker System Project of Linkou Power Plant Renewal and Expansion Plan" by the Nuclear Thermal Power Engineering Office of Taipower Corporation. The two parties signed a project procurement contract on May 10, 2012. The company has completed all the projects. And passed the acceptance by the Nuclear Fire Engineering Office.
- (a) However, in September 2012, Taipower Company re-contracted the related projects of the "coal conveying belt system" at the same project site to another engineering company (hereinafter referred to as "Company A") for detailed design and construction. On May 6, the company was instructed to hand over part of the project land for the common use of Company A, resulting in a lack of space for the original design and construction, thus resulting in related costs. In July 2021, the company filed a petition with the Taipei District Court for Taipower to increase the payment for the project. As of the date of the audit report, the court of first instance has not yet made a judgment.
- (b) After the company completed the B-column coal bunker in November 2016, Taipower Corporation considered it necessary to use it first. After the five cylindrical coal bunkers of column B started to operate, the B4 cylindrical coal bunker transverse beam (Transverse Beam) was damaged since May 26, 2017. Taipower Company instructed the company to repair, strengthen the structure and add the transverse beam structure. For matters such as stainless steel cladding on the surface, the back-end electric company only paid additional construction costs for the additional surface stainless steel cladding part of the horizontal beam structure, and did not pay additional fees for repairing and structural reinforcement in accordance with its instructions. In August 2021, the company filed a petition with the Taipei District Court for Taipower to increase the payment for the project. As of the date of the audit report, the court of first instance has not yet made a judgment.
- (c) The original completion date of the project was June 19, 2016. However, due to the typhoon, the delay in the provision of information by the interface manufacturer, and the delay in the delivery of the land, the work had to be carried out and the project was delayed until the end of the construction period. On March 23, 2021, the party actually completed the overall project, and the actual extension of the construction period was 1,738 days, which eventually resulted in an increase in contract performance costs such as site management fees and shared head office management fees. In August 2021, the company filed a petition with the Taipei District Court for Taipower to increase the payment for the project. As of the date of the audit report, the court of first instance has not yet made a judgment.

- K. The company won the bid for the "New Construction of Suhua Highway Guanyin Tunnel on the Taiwan-Kowloon Line" (hereinafter referred to as the "Guanyin Tunnel") and the "Taiwan-Kowloon Line Suhua Highway Guanyin Tunnel" (hereinafter referred to as the "Guanyin Tunnel") and the "Taiwan-Kowloon Line". Suhua Highway Gufeng Tunnel New Construction" (hereinafter referred to as "Gufeng Tunnel"), the two parties signed a project contract on October 18, 2011. Our company won the bid for Guanyin Tunnel and Gufeng Tunnel, which were publicly tendered by the General Administration of Highways. Our company has completed all The project has passed the acceptance inspection in February and August 2020 respectively.
- (a) The company was instructed by the owner to thicken the clapboard and shorten the spacing of the clapboard, resulting in a huge increase in the cost of the project and an increase in the construction cost due to the geological differences in the work area. Appeal to the General Administration of Highways to increase the payment for the project. According to the judgment of the first-instance court in March 2022, the General Administration of Highways should pay the company NT\$9,766 and delayed interest. The company was dissatisfied with the results of these judgments and appealed to the Taiwan High Court in April 2022. As of the date of the audit report, the court of second instance has not yet made a judgment.
- (b) Since the construction of Guanyin Tunnel and Gufeng Tunnel started on November 1, 2011, due to the influence of factors that cannot be attributed to the company, such as typhoons, collapse, changes in laws and designs, etc. during the construction period, the construction has been approved by the General Administration of Highways. The number of days of extension is 1,141 days and 1,363 days respectively. The Company has increased related costs due to the extension of the above construction period. In November 2020, the company applied to the Yilan District Court to request the General Administration of Highways to pay compensation for the extension of the construction period. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- (c) During the construction period, the Company requested the General Administration of Highways to pay part of the project payment due to the upcoming contract change, but the General Administration of Highways regarded the above amount as a capital loan and interest calculation during the assessment and inspection, and directly deducted the payable construction fee. Due to the unsuccessful objection to the General Administration of Highways, the company applied to the Yilan District Court in April 2021 for the payment of the above-mentioned difference from the General Administration of Highways. In June 2022, the District Court of Yilan, Taiwan ruled in the first instance that the General Administration of Highways should return this part of the project cost and pay regarding the delayed interest, the General Administration of Highways refused to accept the judgment and filed an appeal in July 2022. As of the date of the audit report, the court of second instance has not yet made a judgment.
- (d) During the construction of the Gufeng Tunnel, the General Administration of Highways has handled contract changes several times. Among them, the Company and the General Administration of Highways could not reach an

- agreement on the price of each project for some contract changes, resulting in the negotiation. In response to the price difference of insufficient payment from the General Administration of Highways, the company filed a petition with the Yilan District Court in July 2021 for the General Administration of Highways to increase the payment for the project. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- (e) Due to the various excavation work of Guanyin Tunnel and Gufeng Tunnel, the current conditions are affected by factors such as "land acquisition, building demolition, Hanben cultural relics, harsh geological conditions in the tunnel, etc." The operation could not proceed smoothly according to the original approved overall construction plan. As a result, the cost of labor and equipment for various tunnel excavation projects has increased significantly. In July 2021, the company applied to the Yilan District Court to request the General Administration of Highways to increase the payment for the project. As of the date of the inspection report, the court of first instance has not yet made a judgment.
  - (f) The Guanyin Tunnel and Gufeng Tunnel have to pay extra electricity charges due to the multiple extension of the construction period, and the project contract only includes electricity charges for the "tunnel excavation" project, but other non-excavation projects do not include electricity charges, which are missing items. As a result, the related costs and expenses have increased and cannot be priced. In July 2021, the company applied to the Yilan District Court to request the General Administration of Highways to increase the payment for the project. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- L. The company won the bid for the Taichung Port Branch of Taiwan Port Affairs Co., Ltd. (hereinafter referred to as "Taichung Port Company") "Taichung Port No. 106 New Project". The two parties signed a project procurement contract on December 12, 2017, and the company has completed the project. All projects have passed the inspection and acceptance of Taichung Port Branch.
- (a) However, Taichung Port Branch did not fulfill the owner's obligation to provide construction land before the start of construction, and due to force majeure factors such as weather and walruses, there were reasons for extension of the construction period that were not attributable to the company, and the scheduled completion date of the contract was postponed to 2020 On April 18, 2010, the construction period was extended for 168 days. Due to the extension of the above-mentioned construction period, the company has increased related costs and expenses. In June 2022, the company appealed to the Taichung District Court for the payment of compensation for the extension of the construction period by the Taichung Port Branch. As of the date of the audit report, the court of first instance has not yet made a judgment.
  - (b) Due to the soil quality problems in the construction area of the project, the overall scope of the company's construction area is subject to hazards and risk factors, which makes the construction of the project difficult, and because of the aforementioned soil quality problems, the construction cannot be carried out according to the original design plan. It needs to be based on the actual situation on the site. Change the construction plan and extend the project

construction period during the period, the above-mentioned reasons not attributable to the company resulted in an increase in the company's related engineering costs. In June 2022, the company filed a lawsuit with the Taichung District Court for the Taichung Port Branch to increase the as of the audit report date, the court of first instance has not yet made a judgment.

The Company measured the recoverable amount of contract assets and recognized the difference in impairment loss. Please refer to Note 12 (2) for details. The Company measures assets impairment amount during the financial reporting periods according to litigation progress, possible request amount and materiality, but the final amount will be determined after the conclusion of the relevant cases. The Company will actively defend the aforementioned litigation cases that are still in progress. Due to the unpredictable nature of legal cases, there is currently no accurate estimate of possible losses (in case). And the Company has made necessary adjustments in appropriate ways. The Company wouldn't rule out the possibility of inability to win in all related cases. Although the judgment amount will affect the recoverability of the contract assets, it wouldn't affect the normal operation of the Company.

13. Significant Losses from Natural Disaster

None.

14. Significant Events after the Balance Sheet Date

None.

15. Others

(2) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including Presented as "current and non-current borrowings") less cash. Total capital is calculated as "equity" as reported on the entity's balance sheet plus net debt.

The Company's strategy in 2022 remains the same as in 2021, and the Company is committed to maintaining the debt-to-capital ratio under 50%. The Company's debt-to-capital ratio is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowing	\$ 477,668	\$ 562,557
Deduct: Cash	( 1,007,734)	( 740,030)
Net debt (A)	<u>\$ -</u>	<u>\$ -</u>
Total equity(B)	<u>\$ 5,284,389</u>	<u>\$ 5,284,116</u>
Total capital (C=A+B)	<u>\$ 5,284,389</u>	<u>\$ 5,284,116</u>
Debt-to-capital ratio (A/C)	-	-

(3) Financial risk of financial instruments

C. Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income - non-current	\$ 77,345	\$ 92,455
<u>Financial assets at amortized cost</u>		
Cash and cash equivalents	\$ 1,007,734	\$ 740,030
Financial assets at amortized cost	1,795,506	2,288,784
Contract assets (construction retention)	423,248	344,099
Accounts receivable	172,494	-
Other receivables	6,594	9,515
Other current assets	21,000	21,000
Margin deposits (listed as other non-current assets)	75,359	30,771
	<u>\$ 3,501,935</u>	<u>\$ 3,434,199</u>
 <u>Financial liabilities</u>		
<u>Financial liabilities at amortized cost</u>		
Short-term borrowings	\$ 310,000	\$ 390,000
Notes payable	436,545	252,028
Accounts payable	494,078	631,970
Other payables	41,129	36,028
Deposit deposit (Other current liabilities)	186,203	19,150
Long-term borrowings (including due within one year)	167,668	172,557
Deposit deposit (Other non-current liabilities)	38,875	55,407
	<u>\$ 1,674,498</u>	<u>\$ 1,557,140</u>
Lease liabilities (including due within one year)	<u>\$ 35,117</u>	<u>\$ 41,749</u>

D. Risk management policies

The Company's daily operations expose it to a variety of financial risks including market risk, credit risk and liquidity risk. Risk management is performed by the finance department of the Company under policies approved by the Board of Directors.

E. Nature and degrees of significant financial risks

d. Market risk:

Foreign exchange rate risk

(b) The business of the company involves certain non-functional currencies, mainly Renminbi. Therefore, due to the impact of exchange rate fluctuations, the information of foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

		December 31, 2022		
(Foreign currency: functional currency)	Amount ( in thousands)	Exchange rate	Book value	
<u>Financial assets</u>				
<u>Monetary items</u>				
CNY : TWD	\$ 11,734	4.41	\$	51,726
USD : TWD	33	30.71		1,011
Euro: New Taiwan Dollar	543	32.72		17,751

		December 31, 2021		
(Foreign currency: functional currency)	Amount (in thousands)	Exchange rate	Book value	
<u>Financial assets</u>				
<u>Monetary items</u>				
CNY : TWD	\$ 11,557	4.34	\$	50,204
USD : TWD	33	27.68		913

(d) The realized and unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 were NT\$1,012 and (NT\$391), respectively.

(e) The appreciation or depreciation of major foreign currency monetary items impacted the Company's profit and loss at the end of the financial statements period. When the New Taiwan dollar appreciates or depreciates by 1%, the Company's income will decrease or increase by NT\$705 and NT\$511, respectively for the years ended December 31, 2022 and 2021.

#### Price risk

(c) The Company's equity instruments exposed to price risk are recognized in financial assets at fair value through other comprehensive income.

(d) The Company primarily invests in equity instruments issued by domestic companies and the investment target's price would be affected by the uncertainty of the future value. If the price rises or falls by 1%, while all other factors remain unchanged, the other comprehensive income for the years ended December 31, 2022 and 2021 will decrease or increase by NT\$773 and NT\$925, respectively.

#### Cash flow and fair value interest rate risk

The long-term and short-term borrowings borrowed by the Company are floating-rate debts and are not expected to generate significant interest rate risk. Changes in market interest rate will cause the effective interest rate of borrowing to change, which will cause fluctuations in future cash flows. Calculated based on the Company's borrowings balance at December 31,

2022 and 2021, if the market interest rate increases or decreases by 0.25%, the Company's cash outflow will increase or decrease by NT\$1,194 and NT\$1,406, respectively.

e. Credit risk

(f) Credit risk refers the risk of financial loss to the Company arising from default by the customers or counterparties of financial instruments on the contract obligations. The risk mainly comes from the inability of the counterparty to pay accounts receivables, retention receivables from projects and the financial assets measured at amortized cost.

(g) The Company adopts the assumptions under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. And the default occurs when the customers' contract payments are past due over 30 days after final acceptance.

(h) The debtors of the Company's receivables and contract assets are mainly government units or state-owned enterprises, etc. The Company applies the simplified approach to estimate expected credit loss under the loss rate methodology basis. The loss rate methodology at December 31, 2022 and 2021 is as follows:

<u>December 31, 2022</u>	<u>Accounts receivable</u>	<u>Contract retention</u>	<u>Contract assets</u>	<u>Total</u>
Expected loss rate	-	-	32.8%	
Total book value	<u>\$ 172,494</u>	<u>\$ 423,248</u>	<u>\$ 1,462,270</u>	<u>\$2,058,012</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,678</u>	<u>\$ 479,678</u>
<u>December 31, 2021</u>	<u>Accounts receivable</u>	<u>Contract retention</u>	<u>Contract assets</u>	<u>Total</u>
Expected loss rate	-	-	28.0%	
Total book value	<u>\$ -</u>	<u>\$344,099</u>	<u>\$ 2,041,508</u>	<u>\$2,385,607</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571,574</u>	<u>\$ 571,574</u>

(i) The deposit provided by the company due to performance obligations, assessing the credit of the counterparty and transaction records, it is expected that the possibility of irreversible recovery is small. However, due to individual assessments in 2022 and 2021 due to the operating difficulties of the transaction counterparty, the recovery of funds may be low, and the recognized expected credit losses are NT\$0 and NT\$7,216 respectively.

(j) The table of changes in contract assets and margin allowance losses for which the Company adopts the simplified approach is as follows:

	<u>2022</u>	<u>2021</u>
January 1	\$ 578,790	\$ 517,121
Impairment loss	14,200	61,669
Write-offs in this period	( 106,096)	-
December 31	<u>\$ 486,894</u>	<u>\$ 578,790</u>

f. Liquidity risk

(c) Cash flow forecasting is performed in the operating entities of the Company and aggregated by the financial department. The Company's financial department monitors rolling forecasts of the Company's liquidity requirements to ensure that has sufficient cash to support operating requirements. The detail of unused borrowing amount is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate		
Due within one year	\$ 570,000	\$ 820,000
Due beyond one year	1,265,000	925,000
	<u>\$ 1,835,000</u>	<u>\$ 1,745,000</u>

(d) The Company's non-derivative financial liabilities are analyzed by the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 312,717	\$ -	\$ -	\$ -
Notes payable	436,545	-	-	-
Accounts payable	329,381	-	127,443	37,254
Other payables	41,129	-	-	-
Lease liabilities	12,840	11,892	7,461	3,922
Long-term borrowings (including due within one year)	106,589	6,302	6,302	53,683

Non-derivative financial liabilities:

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 392,557	\$ -	\$ -	\$ -
Notes payable	252,028	-	-	-
Accounts payable	460,734	87,341	77,740	6,155
Other payables(including related party)	36,028	-	-	-
Lease liabilities	14,969	10,268	9,506	8,273
Long-term borrowings (including due within one year)	75,286	100,159	-	-



(4) Fair value information

E. The different levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market where asset or liability transactions occur with sufficient frequency and quantity to provide pricing information on a continuous basis. The fair value of the Company's investment in financial assets at fair value through other comprehensive income is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data. Part of the fair value of the Company's investment in financial assets at fair value through other comprehensive income is included in Level 3.

F. Financial instruments not measured at fair value

The company includes cash and cash equivalents, accounts receivable, other receivables, other current assets, other non-current assets, long-term and short-term borrowings, contract liabilities, notes payable, accounts payable, other payables, other current liabilities (excluding long-term borrowings due within one year) and other non-current liabilities (excluding net defined benefit liabilities), the carrying amounts are a reasonable approximation of fair value.

G. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income-equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,345</u>	<u>\$ 77,345</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income-equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,455</u>	<u>\$ 92,455</u>

H. The methods and assumptions the Company used to measure fair value are as follows:

d. The Company used market quotation (closing price) as the inputs of fair values (that is, Level 1).

e. Except for the above-mentioned financial instruments with active markets, the fair value of the other financial instruments (that is, Level 3) is evaluated according to the evaluation model.

The output of the evaluation model is estimated value, and the evaluation technique may not reflect all the factors in financial instruments that the Company holds. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as liquidity risk. According to the Company's fair value evaluation model management policy and related control procedures, the management holds that it is appropriate and necessary to evaluate the fair value of the financial instruments in the balance sheet. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.

f. The Company's equity securities classified as Level 3 fair value are regularly evaluated by the financial department of the Company or evaluated by an external appraiser. The information of evaluation models is as follows:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 73,901	comparable transaction method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
	3,444	comparable transaction method	NA	NA	NA
	<u>\$ 77,345</u>				

	Fair value at December 31, 2021	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 89,063	comparable transaction method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
	3,392	comparable transaction method	NA	NA	NA
	<u>\$ 92,455</u>				

- J. The evaluation model and evaluation parameters selected by the Group after careful evaluation, but the use of different evaluation models or evaluation parameters may lead to different evaluation results. For financial assets classified as land-based, if the evaluation parameters change, the impact on other comprehensive gains and losses for the current period is as follows:

	<u>Input value</u>	<u>Change</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
			Recognized in other comprehensive profit or loss		Recognized in other comprehensive profit or loss	
			<u>favorable change</u>	<u>unfavorable change</u>	<u>favorable change</u>	<u>unfavorable change</u>
monetary assets						
Equity Instrument	fluidity	±5%	<u>\$ 5,278</u>	<u>(\$ 5,278)</u>	<u>\$ 6,362</u>	<u>(\$ 6,362)</u>

- K. The Company's investment real estate measured by cost is regularly evaluated by external experts appointed by the Company's financial department. Please refer to Note 6 (8) for information on its fair value.
- L. There was no transfer between level 1 and level 2 for the years ended December 31, 2022 and 2021.
- M. The table below shows the changes in level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
January 1	\$ 92,455	\$ 113,298
Disposition in this period	-	( 6,450)
Recognized in unrealized investment gains and losses of equity instruments measured by fair value through other comprehensive income	( 15,110)	( 14,393)
December 31	<u>\$ 77,345</u>	<u>\$ 92,455</u>

- N. There was no transfer into or out from the level 3 for the years ended December 31, 2022 and 2021.

(4) Other things

Due to the epidemic of novel coronavirus pneumonia in 2022, the Group has cooperated with a number of epidemic prevention measures promoted by the government. Under the restrictions of relevant regulations, the construction progress has also been carried out as expected. As the Group's working capital is still sufficient and payment collection is normal, and various operating departments of the Group are operating normally, it is assessed that the novel coronavirus pneumonia epidemic will not have a material impact on the Group's financial position and financial performance in 2022.

14. Supplementary Disclosure

(5) Significant transactions information

- K. Loans to others: None.

- L. Endorsement and guarantee for others: Please refer to Table 1.

- M. Holding of marketable securities at the end of the period (investment in subsidiaries and affiliates excluded): Please refer to Table 2.
- N. Accumulated acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of paid-up capital: None.
- O. Acquisition of real estate exceeding NT\$300 million or 20% of paid-up capital: None.
- P. Disposal of real estate exceeding NT\$300 million or 20% of paid-up capital: None.
- Q. Purchases or sales of goods from related parties exceeding NT\$100 million or 20% of paid-up capital: None.
- R. Receivables from related parties exceeding NT\$100 million or 20% of paid-up capital or: None.
- S. Derivative instruments transaction: None.
- T. The statement and amount of significant inter-company transactions and business relationship: Please refer to Table 3.

(6) Information of reinvestment business

Names, locations and other information of investee companies (investees in Mainland China excluded): Please refer to Table 4.

(7) Information of investments in Mainland China

- C. Basic information of investing in Mainland companies: None.
- D. Significant transactions, either directly or indirectly through a third area business, with reinvesting investee companies in the Mainland: None.

(8) Information of major shareholders

Information of major shareholders: Please refer to Table 5.

15. Segments Information

NA

Kung Sing Engineering Corporation  
Endorsements and Guarantees for Others  
For the Year Ended December 31, 2022  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 1

No.	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 4)	Maximum endorsements/ guarantees amount for the period	Endorsements/ guarantees balance amount at December 31, 2022	Used amount	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsement s/guarantees to the party in Mainland China
			Relationship with the endorser/ guarantor	Relationship with the endorser/ guarantor										
1	Kung Sing Development	Note 1	Note 3	9,845,604	173,936	108,000	108,000	108,000	0.03	19,691,208	N	N	N	

Note 1: Kung Sing Development Co., Ltd. and the landowners of the joint construction and separate sale (other related parties-Pan, jun-rong).

Note 2: According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the Company shall not exceed octuple paid-up capital of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed quadruple paid-up capital of the Company. According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the subsidiary shall not exceed octuple paid-up capital of the parent company and the amount of endorsements/guarantees provided by the subsidiary for any single entity shall not exceed quadruple paid-up capital of the parent company.

Note 3: Inter-insurance companies based on contractual requirements for inter-departmental or co-creation between contractors.

Kung Sing Engineering Corporation  
Holding of Marketable Securities at December 31, 2022 (Investment in Subsidiaries, Affiliates and Joint Ventures Excluded)  
December 31, 2022  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 2

Securities held by	Types and names of securities	Relationship with the securities issuer	Account title	At December 31, 2022				
				Number of shares (thousand shares)	Book value	Ownership (%)	Fair value	Footnote
The Company	Kung Ting Steel Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	3,240	\$ 73,901	18.00	\$ 73,901	Note 1
As above	Chieh Pang Management Consultant Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	300	3,444	6.00	3,444	Note 1
As above	Chien Ping Technology Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	370	-	14.23	-	Note 1 and Note 2
					<u>\$ 77,345</u>		<u>\$ 77,345</u>	
Chan Pang Industrial Co., Ltd	China Airlines Company Limited.	None	Financial assets at fair value through profit or loss - current	500	\$ 9,500	-	\$ 9,500	Note 1
As above	Yang ming shipping co., ltd.	As above	Financial assets at fair value through profit or loss - current	100	6,550	-	6,550	Note 1
As above	Taiwan Jingxing Technology Co., Ltd.	As above	Financial assets at fair value through profit or loss - current	20	1,056	-	1,056	Note 1
As above	Evergreen marine co., ltd.	As above	Financial assets at fair value through profit or loss - current	20	3,260		3,260	Note 1
					<u>\$ 20,366</u>		<u>\$ 20,366</u>	

Note 1: No pledge guarantee.

Note 2: The Company has fully recognized the losses due to operating losses.

Kung Sing Engineering Corporation  
The Statement and Amount of Significant Inter-company Transactions and Business Relationship  
December 31, 2022  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 3

No.	Trader	Trade counterpart	Relationship with trader	Transaction circumstances			
				Accounts	Amount	Transaction terms	The proportion of the amount to consolidated total revenue or total assets
0	The Company	Kung Sing Development Co., Ltd.	Parent company to subsidiary	Rent income	\$ 1,537	Note 1	-
1	Kung Sing Development Co., Ltd.	The Company	Subsidiary to Parent company	Rent expense	1,537	Note 1	-

Note 1: Received and paid according to contract.

Kung Sing Engineering Corporation  
Information of Investees (Investees in Mainland China Excluded)  
December 31, 2022  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 4

Investor	Investee	Location	Main business activities	Initial investment amount		Hold at the end of the period			Profit and loss of the investee for the period	Investment gains and losses recognized for the period	Footnote
				Balance at December 31, 2022	Balance at December 31, 2021	Number of shares (thousand shares)	Ownership (%)	Book value			
The Company	Chan Pang Industrial Co., Ltd.	Taiwan	Construction and development of buildings and houses and general investment	\$ 590,000	\$ 590,000	59,000	100	\$ 824,570	(\$ 6,807)	(\$ 6,807)	Subsidiary
As above	Kung Sing Development Co., Ltd.	Taiwan	Construction and development of buildings and houses	673,400	673,400	70,000	100	609,611	( 5,086)	( 5,086)	Subsidiary



Information of Major Shareholder  
December 31, 2022

Table 5

Name of major shareholder	Shares	
	Holding shares amount (thousand shares)	Ownership (%)
Pan, jun-rong	40,220	8.17
Pan, guan-ru	27,100	5.50
Li, kuei-mei	24,883	5.05

