

Kung Sing Engineering Corporation

2023 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 2023 business results

1.1.1 2023 annual business plan implementation results

Unit: NT\$ thousand

Operating income	Operating profit	Net income
5, 346, 121	44,688	67,324

1.1.2 2023 annual budget implementation situation

Unit: NT\$ thousand

	The actual amount	Budget	Amount ratio
Operating income	5, 346, 121	Not announced	Not applicable
Gross profit	317, 463		
Operating expenses	(272, 775)		
Operating profit	44, 688		
Non-operating income and expenses	25, 626		
Net profit (loss) before tax	70, 314		
Net profit (loss) after tax	67, 324		

1.1.3 Financial income and expenditure and profitability analysis

Unit: NT\$ thousand

Analysis Project		2023
Financial ability	Interest income	20, 714
	Interest expenses	16, 448
Profitability	Return on equity (%)	1. 26%
	Pre-tax profit to paid-in capital ratio(%)	1. 43%
	Net profit rate(%)	1. 26%
	After-tax earnings per share (yuan)	0. 14

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 2024

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 focus on contracting public projects, supplemented by expanding private enterprises and overseas construction. However, the recent fluctuations in international raw material prices have affected the risks of undertaking projects in the construction industry. Therefore, we should adhere to continuous innovation and use various advanced technical construction methods to improve our professional capabilities, strengthen strategic alliances with different industries, and establish lasting competitiveness, in order to demonstrate the company's overall strength and sustainable motivation, and truly unite the centripetal force of employees and shareholders. sense of identity and demonstrate the sustainable management strength of industrial and information engineering projects to the investing public.

Based on the current total amount of projects under construction, capital flow and the above-mentioned assessment, public projects such as highways, rail transportation, bridges, tunnels and ports in 2024 will be the main tracking targets. After searching the Public Works Committee of the Executive Yuan,

the Construction Administration of the Ministry of the Interior, the Highway Administration of the Ministry of Transportation, the Railway Bureau of the Ministry of Transportation, the Expressway Bureau of the Ministry of Transportation, the Civil Aviation Bureau of the Ministry of Transportation, the Ministry of National Defense, the Rapid Transit Engineering Bureau of the Taipei City Government, and the New Taipei City Government Procurement Department of Construction, Kaohsiung City Government New Construction Bureau, Kaohsiung City Government MRT Engineering Bureau, Taoyuan City Government Works Bureau, Taiwan Port Corporation and other agencies' websites to check the possible project bids for bidding in 2024, and carefully evaluate and select the more suitable ones based on the nature of the project. As the company's contractor, the company's business contract amount for 2024 is planned to be NT\$38 billion (before tax)

The 2024 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 Accounting and Accounting Office of the Executive Yuan forecast GDP at the beginning of 2023 at 2.75%, and announced on November 28, 2023 that the forecast for GDP in 2023 was revised down to 1.42%. However, in recent years, the US-China trade conflict, the ongoing war between Russia and Ukraine, rising inflation, and the US Federal Interest rates will rise and food and fuel prices will fluctuate, coupled with the impact of the Israeli-Palestinian conflict this year; if the war continues to expand, the situation will be very scary. At that time, inflationary pressure will revive in various countries, and the high interest rate environment will last longer. Global economic growth next year will be Full of uncertainty and fear of recession.

In 2024, the government will strengthen the resilience of economic growth, expand investment in public construction, expand international cooperation and exchanges, accelerate cross-domain cooperation in science and technology, strengthen Taiwan's cultural strength, strengthen the development of the outlying island Huadong, etc., improve execution, and implement execution benefits to promote economic stability. growing up.

A total of NT\$588.6 billion is earmarked for government public construction projects in 2024, a decrease of approximately NT\$8.6 billion compared with the same basic budget of NT\$597.2 billion in 2023. Among them, the three major subcategories of "Transportation and Construction", "Environmental Resources" and "Urban and Regional Development", which are within the scope of the construction industry, have a total allocation of NT\$271 billion, and the most important transportation construction category has an allocation of NT\$172 billion. Yuan.

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"> 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. 2.Approved by the Securities and Futures Commission, the Company officially became a public company. 3. Again received the “Excellent Engineering Award issued by the Taiwan provincial government.”
1994	<ol style="list-style-type: none"> 1.Received the “Excellent Engineering Award issued by the Taiwan Provincial Government” in terms of Tunnels 171K+200~171K+980 on Tai-Chiu Line. 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.
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"> 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. 2. Passed the “ISO 9002” International Quality Standard System. 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. 4.Won the “Excellent Contruction Company Award issed by the Construcion and Planning Agency, Ministry of the Interior”.
1997	<ol style="list-style-type: none"> 1.Implemented a cash capital increase up to NT\$480 milions due to operational needs. 2.Completed the new constructions of Chung-He Tunnel Northern on

	<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 & 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>

	3. The Tai-Si Kukeng line on the eastward and westward expressways was voted and rewarded as the best construction site.
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 colums 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"> 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. 2.Received a testimonial from the Thailand Trad and Economic Office, Taipei of the professional management and thorough care for Thai labors. 3.Eligible for the Executive Yuan Aboriginal employment Aboriginal Committee awarded the 2011 medal of blue-chip manufacturers. 4.Awarded with the 8th National Yushan Prize for Outstanding Business Leader by the National Competitiveness of Enterprises Association. 5.Awarded with the 8th National Yushan Prize for Outstanding Contribution by the National Competitiveness of Enterprises Association. 6.Awarded with the 13th National Architecture Golden Award for Public Engineering – Civil Engineering – Bridge Engineering by the National Competitiveness of Enterprises Association and the National Architecture Golden Award Activity Committee. 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. 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. 9.Won the 11th Golden Quality Award for “Particularly good” Prize organized by the Public Construction Commission, Executive Yuan. 10.Established a Remuneration Committee in accordance with the Board’s resolution.
2012	<ol style="list-style-type: none"> 1. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors. 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. 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.

	<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	<p>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.</p> <p>2. Obtain hiring the handicapped Certification Mark by the Taipei City Government award.</p> <p>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.</p> <p>4. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</p> <p>5. Taiwan Guanyin nine lines Suhua Highway Tunnel Engineering won new Ministry of Transportation Highway Administration issued 2013 annual results good construction Check medal.</p>
2014	<p>1. Han Ban Wang Zhiqiang, director of the construction of the building was awarded the outstanding management personnel.</p> <p>2. Concrete Engineering won the 2014 prize non-building category - excellent work.</p>
2015	<p>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.</p> <p>2. Establishment of an Audit Committee.</p> <p>3. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</p> <p>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.</p> <p>5. Obtain corporate governance index, corporate social responsibility Benchmarking Enterprise.</p>
2016	<p>1. Received a testimonial from the Thailand Trad and Economic Office,</p>

	<p>Taipei for taking care of Thai labors.</p> <p>2. Linkou power plant construction standards won the China Society of Engineers awarded the fine engineering award!</p> <p>3. Obtain engineering project Railway Electrification for the chaofang section of SOUTH-LINK line, civil electrical & mechanical from CHAOZHOU to LINBIAN, LOT 811.</p> <p>4. Won the "2016 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.</p> <p>5. Concrete Engineering won the 2016 category - excellent work.</p>
2017	<p>1. Obtain C031 agent Tainan Nanping to Wanrong two-track civil and tram line project.</p> <p>2. Received a testimonial from the Thailand Trade and Economic Office, Taipei for taking care of Thai labors.</p> <p>3. National Gold Medal State Building 19th National Building Gold Medal.</p> <p>4. Won the "2017 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.</p> <p>5. Won the 17th Public Works Gold Award for a masterpiece of water conservancy engineering.</p> <p>6. Obtain Taichung Port 106 pier new construction project.</p>
2018	<p>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.</p> <p>2. Won the 2018 TCSA Taiwan Enterprise Sustainability Report Award - Silver Award.</p> <p>3. Awarded the Excellent Project Supervision Award in 2018 by the Highway Administration of the Ministry of Communications.</p> <p>4. Received a testimonial from the Thailand Trade and Economic Office, Taipei for taking care of Thai labors.</p> <p>5. Obtain Construction of Danjiang Bridge and Connecting Road Network 5K+000~7K+035 project.</p>
2019	<p>1. Received a testimonial from the Thailand Trade and Economic Office, Taipei for taking care of Thai labors.</p> <p>2. Won the 2019 Happy Enterprise Award from 1111 Human Bank.</p>

	<p>3. Won the "2019 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.</p> <p>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.</p>
2020	<p>1. Suhua Highway Guanyin and Gufeng Tunnel new construction project on 1/6 was opened to traffic.</p> <p>2. The company participated in the public tender and obtained the Taipei Port South Wharf S07, S08 Revetment and Rear Line Embankment Construction Project.</p> <p>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.</p> <p>4. Won the "2020 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Silver Award.</p> <p>5. The new construction of Taichung Port No. 106 won the "Public Engineering Gold Award, Water Conservancy Engineering Category".</p> <p>6. The company participated in public bidding to obtain "Taichung Combined Cycle Power Plant Project -Circulating Water Pump House and Tunnel Project"</p> <p>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".</p>
2021	<p>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.</p> <p>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)</p> <p>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)</p> <p>4. Won the 2021 Public Works Excellent Engineering Award issued by the Ministry of Transport-Excellent (C811Z Chaozhou Fangliao Section</p>

	<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>
2023	<p>1. Obtained the procurement case of "Air Force H007 Project".</p> <p>2. Obtained the procurement case for the "Y19 (exclusive)-Y20 civil engineering and water and electricity environmental control section project of the northern ring section of the ring line".</p> <p>3. Obtained the procurement case for the "Qianzhen Fishing Port Area Dredging Project".</p>

	<p>4. Obtained the procurement case of "Huadong Area Railway Double-track Electrification Project CB02 Bid Guangfu to Ruisui Civil Engineering and Track Engineering".</p> <p>5. Obtained the procurement case of "Kaohsiung Metropolitan Area Mass Rapid Transit System Metropolitan Line (Yellow Line) YC03 Standard Civil Engineering, Facilities, Electrical and Mechanical and Track Turnkey Project".</p> <p>6. Won the 16th TCSA Taiwan Corporate Sustainability Award - Sustainability Report Platinum Award.</p> <p>7. Won the Happy Enterprise Gold Award from 1111 Human Resources Bank in 2023.</p> <p>8. The emergency dredging project of the existing inlet of Taitan Power Plant was awarded the 2023 "Excellent Industrial Safety Contractor" by Taipower's Northern Construction Division.</p> <p>9. Won the Certificate of Appreciation from the Ministry of Labor of Thailand for professional management and careful care of Thai workers.</p>
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(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.

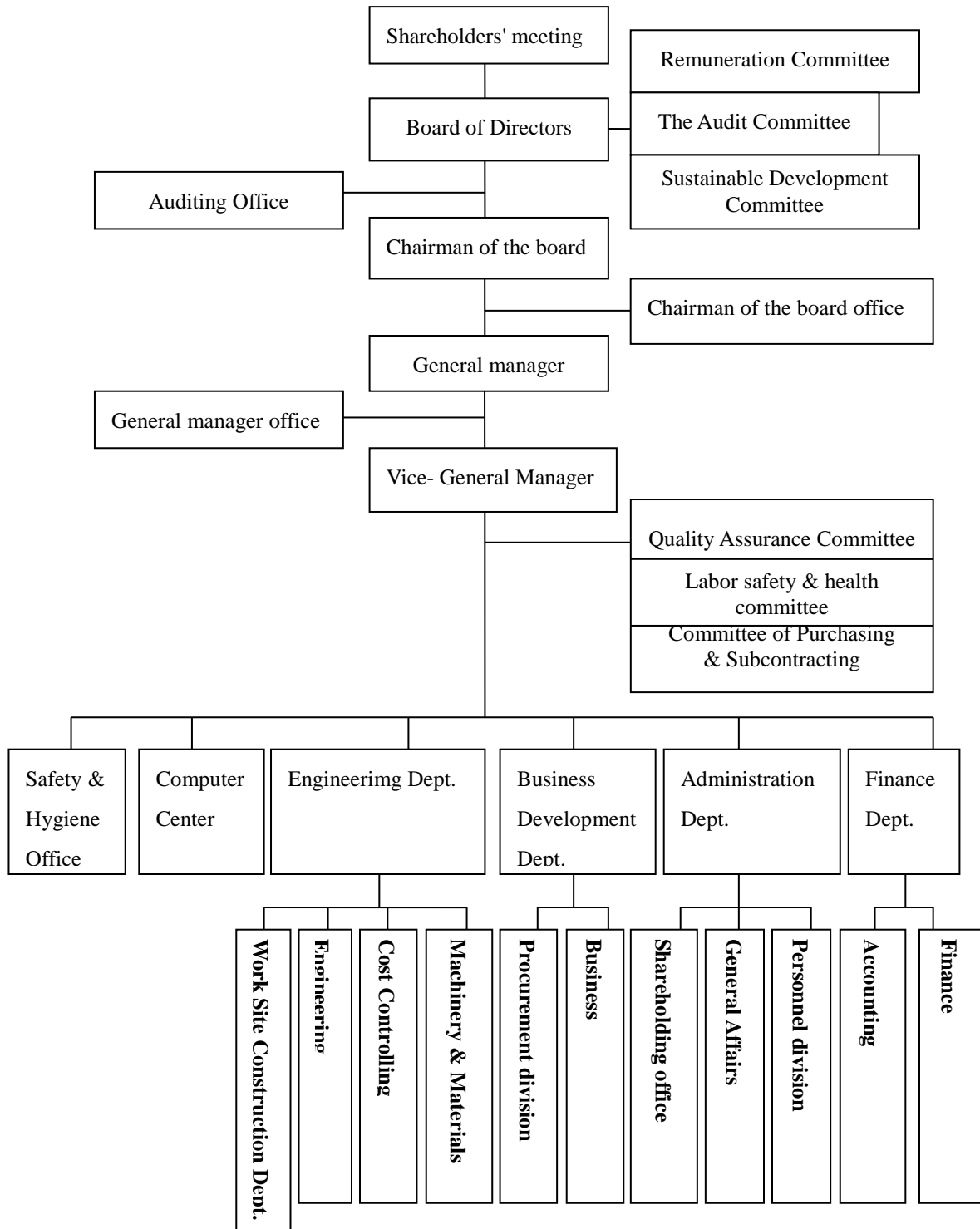
(2) A large number of transfers or replacements of shares of directors, supervisors, or major shareholders holding more than 10% of the shares, changes in management rights, major changes in business methods or business content, and other important matters that affect shareholders' rights and interests 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 186-191, and related information on related companies, please refer to pages 191-193.

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"> 1.To discuss and do a research on implementation plans related to regulations and safety & health education. 2.To discuss and do a research on how to prevent the hazards of machinery, equipment or raw materials, and materials. 3.To discuss and do a research on countermeasures of operational environmental test results. 4.To discuss and do a research on matters related to health management and labor safety & health management.
Quality assurance committee	<ol style="list-style-type: none"> 1.To verify and check the quality plan of project constructions. 2.To supervise the implementation of quality control plan.
Business Development Dept.	<ol style="list-style-type: none"> 1.Business:Developments of all construction projects, investment and opening operations, and contract signing, etc. 2. Procurement division: Market survey analysis, procurement and contract out matters, information for suppliers, and data filing, etc.
Engineering Dept.	<ol style="list-style-type: none"> 1.Machinery & Materials: The management, allocation, assignment, lease, inventory, and effective reports of usage of machinery equipments. 2.Cost Controlling: Construction quality control, analysis on differences, etc. 3.Engineering:Construction implementation, progress, and quality managements, documentation, estimations on payment requests, and construction coordination, etc.

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 27, 2024

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 Chairman of the board. Techzone Technology Materials Co., Ltd. Independent Director	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	Kung Sing Engineering Corporation	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	General manager Kung Sing Development Co., Ltd. Chairman of the board. Convener of the Supervisory Board of Taiwan Comprehensive Construction 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.	deputy general manager	Pan,yi ng-jiuan	sister and brother
	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 (By-election on 27 June 2023)	Republic of China	Chiang jung ch'ing	Men/ 41-50	June, 2023	3	2012 November (discontinued after the 2018 re-election)	33,000	0.01	33,000	0.01	0	0.00	0	0.00	Yuan hsuan Construction Co., Ltd. Vice Chairman Deputy General Manager of Yuanxuan Construction Co., Ltd.	Yuan hsuan Construction Co., Ltd. Vice Chairman Kung Sing Engineering Corporation independent Director	None	None	None
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Major shareholders of the institutional shareholders

April 27, 2024

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	1.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. 2. There is no circumstance stipulated in Article 30 of the Company Law.	NA	1

Ch'uan Fu Investment Co. Ltd. Representative :: Chiang, chi-chi ng	1.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 2. There is no circumstance stipulated in Article 30 of the Company Law.	NA	0
Ju hsiang Investment Co. Ltd. Representative : Li, shu-hsü	1. Hong-hui Development and Construction Co., Ltd. Supervisor Head of Hong-yi Investment Co., Ltd. 2. There is no circumstance stipulated in Article 30 of the Company Law.	NA	0
Ju hsiang Investment Co. Ltd. Representative : P' an, kuan-ju	1. Yuan hsuan Construction Co., Ltd. Vice Chairman 2. There is no circumstance stipulated in Article 30 of the Company Law.	NA	0

Independent Directors : Chen, chin-yueh (Audit Committee)	1.Hsin Fu hsing Co., Ltd. independent directors LIGITEK Co., Ltd. Independent Supervisor 2.There is no circumstance stipulated in Article 30 of the Company Law.	1. No relatives are directors, supervisors or employees of the company or its affiliated companies. 2. I (or using the name of others), my spouse and minor children hold less than 0.02% of the company's shares, details on P13. 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.	2
Independent Directors : Tu, yi- yang (Audit Committee Convenor)	1.Li Yang Certified Public Accountants Tianliang Biotechnology Enterprise Co., Ltd. Independent Director 2.There is no circumstance stipulated in Article 30 of the Company Law.	1. No relatives are directors, supervisors or employees of the company or its affiliated companies. 2. I (or using the name of others), my spouse and minor children do not hold shares in 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 : Chiang jung ch'ing (Audit Committee) (By-election on 27 June 2023)	1. Yuan hsuan Construction Co., Ltd. Vice Chairman 2. There is no circumstance stipulated in Article 30 of the Company Law.	1. No relatives are directors, supervisors or employees of the company or its affiliated companies. 2. I (or using the name of others), my spouse and minor children hold less than 0.01% of the company's shares (only I hold 33,000 shares). 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: 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	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 n-ju	Men	Republic of China	•			•		•		•				•
Tu,yi- yang	Men	Republic of China		•		•	•	•			•	•	•	•
Chen, chin- yueh	Men	Republic of China		•		•	•	•	•			•	•	•
Chiang jung	Men	Republic of China	•			•	•	•		•		•	•	•

ch'ing (By-election on 27 June 2023)		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%).

Qualifications of independent directors in the company:

Chen, chin- yueh: re-elected from June 2012 to the present (11 years)

Tu,yi- yang: re-elected from June 2015 to the present (8years)

Chiang jung ch'ing: June 2023 ~ present (2023.06.27 By-election)

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 : Tu,yi- yang	None	None	The company's audit unit makes a kinship table for inspection
Independent Directors : Chen, chin- yueh	None	None	The company's audit unit makes a kinship table for inspection
Independent Directors : Chiang jung ch'ing	None	None	The company's audit unit makes a kinship table for inspection

3.2.2 Management Team

April 27, 2024

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, Kung Sing Development gCorporation Convener of the Supervisory Board of Taiwan Comprehensive Construction Industry Association	Vice- General Manager	Pan,yin g-jiuan	second degree in-laws
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 Manager	Republic of China	Liu, Yung-ching	Men	03 01,2020	17,438	0.00	0	0.00	0	0.00	Department of Civil Engineering, Southeast University of Science and Technology	None	None	None	None
Vice- General Manager	Republic of China	Ting ch'êng-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	None	None	None	None

											Department of Industry and Information Engineering				
Vice- General Manager	Republic of China	Pan,ying-jiuan	woman	11 23,2023	0	0	0	0	0	0	Master's degree, Graduate School of Administrative Science, Boston University, USA Kung Sing Engineering Corporation deputy general manager CEO of Jiangsu Bimi Agriculture and Animal Husbandry Technology Co., Ltd. Chairman of Honghui Construction and Development (China) Co., Ltd.	Kung Sing Engineering Corporation deputy general manager Gongding Iron and Steel Co., Ltd. Director	General manager	Chiang, chi-chin g	second degree in-laws
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	10,000	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
manager, Business Development Dept.	Republic of China	Gau, meng-yu	Men	09 16,2022	2,409	0.00	0	0.00	0	0.00	Bachelor of Civil Engineering, Tamkang University Kung Sing Engineering Corporation Senior engineer of business department	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

3.3 Remuneration of Directors, President, and Vice President

3.3.1 Remuneration of Directors

2023/12/31 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					
																Cash	Stock	Cash	Stock							
Chairman of the board	Ch'uan Fu Representative: Chen ,huang-ming	0	0	0	0	0	0	265	265	265	265	0.39	0.39	3,968	3,968	0	0	45	0	45	0	4,278	4,278	6.35	6.35	None

Dire ctors	Ch'uan Fu Represen tative: Chiang,c hi-ching	0	0	0	0	0	0	265	265	265 0.39	265 0.39	3,161	3,161	173	173	45	0	45	0	3,644 5.41	3,644 5.41	None
Dire ctors	Ju hsiang Represen tative: Li, shu-hsi	0	0	0	0	0	0	265	265	265 0.39	265 0.39	0	0	0	0	0	0	0	0	265 0.39	265 0.39	None
Dire ctors	Ju hsiang Represen tative: Pan,kuan -ju	0	0	0	0	0	0	265	265	265 0.39	265 0.39	1,391	1,391	102	102	18	0	18	0	1,776 2.64	1,776 2.64	None
Inde pend ent Dire ctors	Chen, chin- yueh	0	0	0	0	0	0	465	465	465 0.69	465 0.69	0	0	0	0	0	0	0	0	465 0.69	465 0.69	None
Inde pend ent Dire ctors	Tu,yi- yang	0	0	0	0	0	0	465	465	465 0.69	465 0.69	0	0	0	0	0	0	0	0	465 0.69	465 0.69	None
Inde pend ent Dire ctors	Chiang jung ch'ing (By-elec tion on 27 June 2023)	0	0	0	0	0	0	235	235	235 0.35	235 0.35	0	0	0	0	0	0	0	0	235 0.35	235 0.35	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

2023/12/31 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	173	173	317	317	45	0	45	0	3,379 5.02	3,379 5.02	None
Executive Deputy General Manager	Changming-t'ang	1,396	1,396	85	85	16	16	40	0	40	0	1,537 2.28	1,537 2.28	None
Vice-General Manager	Liu, Yung-ching	2,023	2,023	48	48	298	298	45	0	45	0	2,414 3.59	2,414 3.59	None
Vice-General Manager	Ting ch'êng-chih	1,894	1,894	85	85	138	138	45	0	45	0	2,162 3.21	2,162 3.21	None
Vice-General Manager	Pan,yi ng-jiuan(No te 1)	169	169	0	0	0	0	3	0	3	0	172 0.26	172 0.26	None

Note1: Taking office on November 23, 2023

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	Pan,ying-jiuan	Pan,ying-jiuan
NT\$1,000,000 ~ NT\$2,000,000	Chan ming-t'ang	Chan ming-t'ang
NT\$2,000,000 ~ NT\$3,500,000	Chiang,chi-ching 、 Liu, Yung-ching 、 Ting ch'êng-chih	Chiang,chi-ching 、 Liu, Yung-ching 、 Ting ch'êng-chih
NT\$3,500,000 ~ NT\$5,000,000	None	None
NT\$5,000,000 ~ NT\$10,000,000	None	None
NT\$10,000,001 ~ NT\$15,000,000	None	None
NT\$15,000,001 ~ NT\$30,000,000	None	None
NT\$30,000,001 ~ NT\$50,000,000	None	None
NT\$50,000,001 ~ NT\$100,000,000	None	None
Over NT\$100,000,000	None	None
Total	5	5

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

2023/12/31 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	248	248	0.37
	Executive Deputy General Manager	Chan ming-t'ang				
	Vice- General Manage	Liu, Yung-ching				
	Vice- General Manage	Ting ch'êng-chih				
	Vice- General Manage	Pan,ying-jiuan				
	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(Note 5)	The company		Companies in the consolidated financial statements)(Not e5)		The company	Companies in the consolidated financial statements(Note5)	
								Cash	Stock	Cash	Stock			

General Manager	Chiang, chi-ching	2,844	2,844	173	173	317	317	45	0	45	0	3,379 5.02	3,379 5.02	None
Executive Deputy General Manager	Chan ming-t'ang	1,396	1,396	85	85	16	16	40	0	40	0	1,537 2.28	1,537 2.28	None
Vice - General Manager	Liu, Yung-ching	2,023	2,023	48	48	298	298	45	0	45	0	2,414 3.59	2,414 3.59	None
Vice - General Manager	Ting ch'êng-chih	1,894	1,894	85	85	138	138	45	0	45	0	2,162 3.21	2,162 3.21	None
Corporate Governance Supervisor	Li, kuei-chung	1,097	1,097	65	65	154	154	18	0	18	0	1,334 1.98	1,334 1.98	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
2023	17,413	17,413	25.86	25.86
2022	13,351	13,351	124.06	124.06

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,	Salary	In accordance with the Company's personnel managing rules, and the remuneration committee's considerations.
Vice- General Manager	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, although the net profit after tax for this year (2023) has increased compared with last year, working capital needs have been taken into consideration. According to the resolution of the remuneration committee and the board of directors on March 12, 2024, no remuneration distribution to directors will be carried out.

General manager performance target evaluation:

Indicator items	illustrate	Weights
Financial and strategic indicators	Revenue achievement rate, bid project achievement rate, market share, etc.	40%
Environmental indicators	Carbon reduction achievement rate	10%
social indicators	Employee turnover rate and education and training, etc.	25%
Governance indicators	Corporate governance evaluation, sustainable development and awards, conference participation rate	25%

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Indicator items	illustrate	Weights
Environmental indicators	Compliance with environmental protection laws, implementation of energy conservation and carbon	30%

	reduction measures, etc.	
social indicators	Employee welfare improvement rate, promotion of community service and development, and promotion of occupational safety and health	40%
Governance indicators	Supply chain management and sustainable development implementation	30%

Current status of implementation: The performance targets of the company's general manager and deputy general manager are set with sustainable performance indicators, which are evaluated based on the above weights, and the results are linked to salary remuneration.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

In 2023, the board of directors held 5 meetings [A], and the attendance of directors is as follows:

(2023.06.27 regular meeting of shareholders to elect an independent director) 2 meetings before 6/27 and 3 meetings after 6/27.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Ch'uan Fu Representative: Chen ,huang-ming	5	0	100%	
Director	Ch'uan Fu Representative: Chiang,chi-ching	5	0	100%	
Director	Ju hsiang Representative: Li, shu-hsi	5	0	100%	
Director	Ju hsiang Representative: P' an, kuan-ju	5	0	100%	
Independent director	Chen, chin- yueh	5	0	100%	
Independent director	Tu,yi- yang	5	0	100%	
Independent director	Chiang jung ch'ing	3	0	100%	By-election on 27 June 2023

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 P120-127 (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)2023.03.14 Proposal 4 for the first meeting of the twenty-seventh board of directors in 2023: 2022 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)2023.03.14 Proposal 5 for the first meeting of the twenty-seventh session of the board of directors in 2023: Review the remuneration of directors and managers in 2023 and the remuneration of the new executive deputy general manager and deputy general manager. (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)2023.08.11 Proposal 4 of the third meeting of the 27th Board of Directors in 2023: Review of new independent directors, audit committee members, and newly established sustainable development development committee salary remuneration and manager salary remuneration adjustment case. (Recommended by the Salary and Remuneration 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.
 - (4)2023.12.29 Proposal 3 of the fifth meeting of the 27th Board of Directors in 2023: Implementation of director and manager remuneration and year-end performance evaluation. (Recommended by the Salary and Remuneration 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" .
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 2023, four 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/67/2024011015071452415.pdf>).

In 2023, 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, 2023 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"> 1. Participation in company operations With (12 items). 2. Board decision quality (12 items). 3. Board composition and knot Structure (7 items). 4. Selection and holding of directors Continue training (7 items). 5. Internal control (7 items). <p>The contents of individual director self-evaluation include:</p> <ol style="list-style-type: none"> 1. Company goals and tasks Mastery (3 items). 2. Director's responsibilities (3 item). 3. Participate in company operations Situation (8 items) ° 4. Internal relationship management and communication (3 items) ° 5. Director's professional and continuous education (3 items). 6. Internal control (3 items) ° <p>Remuneration Committee and Audit the content of the performance evaluation of the Planning Committee includes :</p> <ol style="list-style-type: none"> 1. Participation in company operations (4 items). 2. Committee Responsibility (5 items). 3. Improve the quality of committee decision-making (7 items). 4 Committee composition and composition election of members (3 items). 5. Internal control (3 items).

*The 2023 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 59.

3.4.2 Operation of the Audit Committee:

The Audit Committee will meet 4 times in 2023 [A]. The attendance status of the members and the annual work focus are as follows: (2023.06.27 regular meeting of shareholders to by-elect an independent director). 2 meetings before 6/27 and 2 meetings after 6/27.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent director	Tu,yi-yang	4	0	100%	
Independent director	Chen, chin-yueh	4	0	100%	
Independent director	Chiang jung ch'ing	2	0	100%	By-election on 27 June 2023

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.
(1) Matters listed in Article 14-5 of the Securities and Exchange Law: For all the proposals and resolutions of the Audit Committee in 2023 and up to the publication date of the annual report, and the company's implementation, please refer to P127-129. Proposals related to Securities and Exchange Act 14-5 are marked after each topic.
(2) 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.).
(1) Communication policy between independent directors, internal audit supervisors and accountants:
A. 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 2023:

3/14 The financial report has been approved by the (third) Audit Committee and submitted to the Board of Directors for approval and the application has been completed and signed based on the AQI assessment.

Certify the independence and suitability of the accountant and discuss the non-certification services provided by the accounting firm. The independent directors/audit committee members have no opinion.

5/10 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.

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.

11/09 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, 2023, 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) Communication situation between independent directors and internal audit supervisor: (annual work focus)

In addition to regularly sending various internal audit reports to the independent directors, the company's audit unit also attends the report on the board of directors and the audit committee, and also holds separate discussions with the independent directors from time to time;

Communication date in 2023:

3/14 The Audit Committee and the Board of Directors approved the Company to issue an "Internal Control System Statement". The audit supervisor attended the audit committee and the board of directors, and the independent directors/audit committee members had no opinions.

On 5/10, The audit committee and the board of directors have no audit-related discussion topics. The audit specialist will attend the board of directors and report on the execution of the audit business in the board of directors' report matters.

8/11 The audit committee and the board of directors have no audit-related discussion topics. The audit specialist will attend the board of directors and report on the execution of the audit business in the board of directors' report matters.

11/09 The Audit Committee and the Board of Directors have no audit-related issues. The audit specialist shall attend the audit committee as a non-voting delegate, and the audit supervisor shall participate in the board of directors as a non-voting delegate, and report on the execution of the audit business on matters reported to the board of directors.

12/29 The board of directors approved the 2024 audit plan. The audit supervisor attended the board meeting as a non-voting representative, and the independent directors had no opinions.

12/29 Before the remuneration committee, the auditor conducts separate interviews with independent directors, 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 2023.

(2) Report to the independent director that the 2023 annual audit business has been completed in accordance with the annual audit plan, and submit the 2024 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 2023 has begun. The entire work schedule is expected to be completed by the end of February 2024, 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 ¹			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 (http://mops.twse.com.tw/mops/web/t100sb04_1) stock code: 5521, and the company's official website http://www.kseco.com.tw/tc/regulations.aspx	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 ¹			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 ¹			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
3.Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(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 ¹			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 P30-33 of this annual report and the company's website investor zone - corporate governance - director introduction.</p> <p>http://www.kseco.com.tw//tc/finance1.aspx</p> <p>(2) In addition to the salary and remuneration committee, the company currently established an audit committee after the re-election of directors at the shareholders' meeting in 2015, and a sustainable development committee was</p>	None

Evaluation Item	Implementation Status ¹			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>established by the board of directors in August 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 51 for the self-assessment of</p>	None

Evaluation Item	Implementation Status ¹			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 ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>of the company's 2023 board of directors and its functional committees has been completed; and submitted to the board of directors on March 12, 2024. 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 2023 are all excellent: the board of directors scored 4.88 points, the audit committee scored 4.91 points, and the remuneration committee scored 4.89 points, Sustainable Development Committee 4.82 points (all points are 5 points), but a few parts still need to be refined and optimized:</p> <p>A. Individual directors:</p> <p>Individual directors can further strengthen their assessment of corporate risk management and</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>professional development in director refresher courses.</p> <p>Improvement plan:</p> <p>(A) Strengthen individual directors’ management of company risks and potential various Risk assessment.</p> <p>(B) Enhance the continuous professional development program for directors’ continuing education courses.</p> <p>B. Board of Directors:</p> <p>The two evaluation items of "directors' attendance at shareholders' meetings" for the company's operational participation and "continuous professional development plan for director training" for director selection and continuing education need to be further strengthened.</p> <p>Improvement plan:</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(A) Strengthen invitations to directors to attend shareholder meetings.</p> <p>(B) Directors will be arranged to participate in ongoing professional development.</p> <p>C. Functional Committee:</p> <p>(A) Understanding of the responsibilities of the audit committee: "The audit committee can truly evaluate and supervise the company's existing or potential risks" and two items to improve the quality of the audit committee's decision-making: "Whether the information provided by the company to the audit committee is complete and timely... "Needs further review. strengthen. improvement plan:</p> <p>(a)Improve the timeliness of financial information provision.</p> <p>(b)Strengthen the assessment of the company's potential risks.</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(B) Comprehensive understanding of the responsibilities of the Salary and Remuneration Committee "Salary and Remuneration Committee"</p> <p>The committee can truly evaluate and supervise the remuneration system for directors and managers to respond to the rationality of the company's operating performance and future risks. ”The project needs to be strengthened.</p> <p>Improvement plan:</p> <p>Strengthen the connection between the company's operating performance and future risks and the performance evaluation and remuneration system of directors and managers.</p> <p>(C) Responsibilities of the Sustainable Development Committee: "Sustainable Development Committee"</p> <p>The committee can truly evaluate and supervise</p>	

Evaluation Item	Implementation Status ¹			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 existing or potential risks and opportunities of the company. ”The project needs to be strengthened.</p> <p>Improvement plan: Strengthen the assessment and supervision of various existing or potential ESG risks and opportunities of the company.</p> <p>(4) The Company conducts an independence and competency assessment of its accountants in the first quarter of each year. For the first time in 2024, the Audit Committee conducted an assessment of the independence and competency of accountants through the Audit Quality Index (AQI), and resolved that the accountants comply with the principles of independence and competence. The board of directors passed the assessment on March 12, 2024. Accountants comply with the principles of independence and</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>competence.</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 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.</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Resolution: Passed by the resolution of all attending members of the Audit Committee on March 12, 2024, and passed by the resolution of all attending directors on March 12, 2024.	
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 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)?	✓		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 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	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			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: https://www.kseco.com.tw/upload/67/2024011015071452415.pdf	
5.Does the company establish a communication 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?	✓		The company has established a special area for 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,	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Sustainability Zone and Stakeholder Zone) https://www.kseco.com.tw/tc/index.aspx	
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
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 (http://www.kseco.com.tw) 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	✓		(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	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>conferences)?</p> <p>(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?</p>		<p>✓</p>	<p>disclosed on the corporate website.</p> <p>(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 month.</p>	<p>At present, it is reported in advance within 75 days after the end of the year, and it will still follow the corporate governance 3.0 standard in the future implement.</p>
<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 P72-73) 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 48-50 for the status directors and supervisors participating in the meeting of the board of directors. For employees’ interests and care, please refer to pages 160-162.</p>				

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(3) For the risk management policy and risk assessment standard, please refer to pages 186-191. The relationship with suppliers and the status of customer policy, please refer to pages 156-157 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 82-105 regarding responsibility to the society stated in the area for investors on the company’s website.(https://www.kseco.com.tw/tc/responsibility.aspx?cid=27&cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836)</p> <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, 2023, 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>				

Evaluation Item			Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Yes	No	Abstract Illustration	
<u>Directors training records:</u>						
Title	Name	Training hours	Study period		Sponsoring Organization	Course
			From	To		
Director	Chen ,huang-min g	3H 3H	2023/06/02 2023/07/04	2023/06/02 2023/07/04	Association for the Advancement of Industry and Commerce of the Republic of China Taiwan Stock Exchange	1.Company Directors and Supervisors Study—"2023 Taixin Net-Zero Power Summit Forum" 2.2023 Cathay Sustainable Finance and Climate Change Summit Forum.
Director	Chiang,c hi-ching	3H 3H	2023/06/02 2023/07/04	2023/06/02 2023/07/04	Association for the Advancement of Industry and Commerce of the Republic of China Taiwan Stock Exchange	1.Company Directors and Supervisors Study—"2023 Taixin Net-Zero Power Summit Forum" 2.2023 Cathay Sustainable Finance and Climate Change Summit Forum.
Director	Li, shu-hsü	3H 3H	2023/06/02 2023/07/04	2023/06/02 2023/07/04	Association for the Advancement of Industry and Commerce of the Republic of China Taiwan Stock Exchange	1.Company Directors and Supervisors Study—"2023 Taixin Net-Zero Power Summit Forum" 2.2023 Cathay Sustainable Finance and Climate Change Summit Forum.

Evaluation Item					Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
					Yes	No	Abstract Illustration	
Director	P'an,kua n-ju	3H 3H	2023/06/02 2023/07/04	2023/06/02 2023/07/04	Association for the Advancement of Industry and Commerce of the Republic of China Taiwan Stock Exchange	1.Company Directors and Supervisors Study—"2023 Taixin Net-Zero Power Summit Forum" 2.2023 Cathay Sustainable Finance and Climate Change Summit Forum.		
Independent director	Chen, chin- yueh	3H 3H	2023/07/13 2023/08/07	2023/07/13 2023/08/07	Taiwan Stock Exchange Securities counter trading center	1. Publicity meeting on sustainable development action plans for listed companies 2. The first publicity briefing on insider equity of listed companies in Taipei.		
Independent director	Tu,yi- yang	3H 3H	2023/03/21 2023/08/10	2023/03/21 2023/08/10	National Association of the Chinese Institute of Certified Public Accountants	1. (Taipei) Accountant Money Laundering Prevention Supervision and Practice 2. (Taipei) Money Laundering and Insider Trading Case Analysis		
Independent director	Chiang jung ch'ing	3H 3H	2023/10/20 2023/11/15	2023/10/20 2023/11/15	Securities and Futures Market Development Foundation of the Republic of China	1. 2023 Insider Trading Prevention Promotion Conference 2. 2023 Legal Compliance Information Conference on Insider Equity Transactions		
9. Has the company implemented a self-evaluation report ² 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,								

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>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 2023 Corporate Governance Assessment (assessed by the Securities and Exchange Commission), the company will complete the self-assessment before the end of January 2024. On April 30, 2024, the Securities and Exchange Commission announced a score of 91.80, which ranks first among all listed companies evaluated 21%-35%, an improvement of 0.53 points compared with last year.</p> <p>Strengthening priorities and measures:</p> <p>1. The sustainability report is approved by the board of directors</p> <p>2. Revealing the link between executive compensation and ESG performance evaluation.</p>				

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.

3.4.4 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		condition	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 P29-30 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		1
Committee Member	Chiang jung ch'ing	Yuan hsuan Construction Co., Ltd. Vice Chairman Deputy General Manager of Yuanxuan Construction Co., Ltd.		0

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. The term of office of the current committee members: July 22, 2021 to July 21,

2024. In 2023, the Salary and Remuneration Committee held four meetings [A], and the attendance of the members is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Chen, chin-yueh	4	0	100%	
Committee Member	Tu, yi-yang	4	0	100%	
Committee Member	Chiang jung ch' ing	4	0	100%	
<p>Other mentionable items:</p> <p>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.</p> <p>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</p>					

In 2023 and as of the date of publication of the annual report, the operation of the salary and compensation committee:

(1) 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.

After approval by the Remuneration Committee, it was submitted to the Board of Directors for a resolution. On March 14, 2023, the Board of Directors passed a resolution to set aside 5% of employee remuneration, totaling NT\$3,042,725, and 0% of director remuneration, totaling NT\$0. Employee remuneration will be in cash. issued. The report will be submitted to the shareholders' regular meeting on June 27, 2023, and the cash distribution operation will be completed

on September 1, 2023.

Second case : Review the remuneration of directors and managers and the remuneration of the new executive deputy general manager and deputy general manager in 2023, and propose 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 14, 2023.

(2) August 11,2023 Remuneration Committee. (the 27th, threeth time of Board , 2023)

First case: Review of the salary and remuneration adjustments of newly appointed independent directors, audit committee members, the newly established sustainable development committee, and manager salary and remuneration, and is proposed for discussion. (Interested parties are requested to recuse themselves from 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 August 11, 2023.

(3) November 9, 2023 Remuneration Committee. (the 27th, fourth time of Board , 2023)

First case: review of the salary of the new administrative deputy general manager, proposed for discussion

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 November 9, 2023.

(4) December 29, 2023 Remuneration Committee. (the 27th, fifth time of Board , 2023)

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 29, 2023. 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 2024.

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.

(5) March 12, 2024 Salary and Remuneration Committee. (the 27th, first time of Board , 2024)

First case : Employee and director compensation distribution in 2023. (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.

After being passed by the Remuneration Committee, it was submitted to the Board of Directors for resolution. On March 12, 2024, the Board of Directors passed the resolution and proposed to set aside 4.46% of employee remuneration, totaling NT\$3,282,267, and 0% of director remuneration, totaling NT\$0. Employee remuneration will be in cash. The distribution is expected to be reported at the regular shareholders' meeting on June 25, 2024.

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 12, 2024.

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

3.4.5 The composition, responsibilities and operations of the Sustainable Development Committee:

1. The company's sustainable development committee consists of 3 members.
2. Responsibilities:
 1. Promote and strengthen corporate governance and integrity management systems.
 2. Promote and develop matters related to corporate sustainability.
 3. Supervise other sustainability-related work matters approved by the board of directors.
3. The Sustainable Development Committee will hold one meeting in 2023 [A]. The attendance of the members is as follows:

Job title	Name	Actual attendance (B)	Number of delegated attendances	Actual attendance rate (%) (B / A) (Note)	Remark
Convener	Chen, chin-yueh	1	0	100%	Hsin Fu hsing Co., Ltd. independent directors Major: Corporate Governance
Committee Member	Tu, yi-yang	1	0	100%	Li Yang Certified Public Accountants Expertise: IFRS Sustainability Standards
Committee Member	Chiang jung ch'ing	1	0	100%	Yuan hsuan Construction Co., Ltd. Vice Chairman Major: Corporate Governance, Social Responsibility

Other matters that should be recorded:

The company's Sustainable Development Committee was established by the board of directors on August 11, 2023, and is expected to hold at least two meetings each year (at least once in the first half of the year and once in the second half of the year).

Operation status of the Sustainable Development Committee in 2023:

(1) Sustainable Development Committee on November 9, 2023, proposed for discussion. (The 4th meeting of the 27th Board of Directors in 2023)

The first case: The company's greenhouse gas inventory and verification schedule planning for 2023 is submitted for review.

Resolution result: passed without objection after consultation by the chairman and all members present.

Company processing and implementation status: reported to the board of directors on a quarterly basis. The expected execution situation is as follows:

Work projects	estimated finish time	Execution progress
Determine the establishment of full-time (part-time) units, full-time (part-time) personnel, number of full-time (part-time) personnel and their scope of duties of the parent company	End of December 2022	Has been completed
Determine the establishment of full-time (part-time) units, full-time (part-time) personnel, number of full-time (part-time) personnel, and scope of duties of the subsidiary.	End of March 2023	Has been completed
Complete greenhouse gas inventory and verification schedule planning.	End of June 2023	Has been completed
Trial inventory operation	From January 1, 2024	Planning in progress
Complete the inventory	2026	Planning in progress
Complete verification	2028	Planning in progress

The second case: Formulate the scope of carbon inventory and carbon reduction targets for next year and submit it for discussion.

Resolution result: Passed without objection after consultation by the chairman and all members present.

The company's handling situation: After being submitted to the board of directors for approval, follow-up carbon inventory scope, boundary definition and other tasks will be carried out in accordance with the resolution. According to the meeting resolution, the carbon reduction target for 2024 is to reduce the carbon emissions by 40% compared with the base year.

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

promote the project	Implementation Status			The reasons for the differences from the "Code of Practice for Sustainable Development of Listed Companies"
	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?	✓		The company's board of directors is the highest unit to supervise sustainable development. In August 2023, the board of directors established a sustainable development committee to guide and supervise the sustainable development (ESG) work promotion group. The ESG work promotion group serves as the driving force for the company. The dedicated unit for sustainable development (composed of middle- and senior-level managers of each unit) is responsible for formulating the company's sustainable development policy and regularly reviewing the appropriateness of the policy and the revision of relevant norms and systems for sustainable development. And report and discuss proposals to the Sustainable Development Committee at least every six months. The Sustainable Development Committee reports the implementation of sustainable development to the Board of Directors at least twice a year (reporting the next year's goals to the Board of Directors on November 9, 2023, and the Board of Directors reporting the implementation of sustainable development in 2023 in May 2024). For relevant operations and board of directors supervision, please refer to the file download at the bottom of the homepage of the sustainability section of the official website: Operation and Implementation of Promoting Sustainable Development. http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&cck=A3450C32-ACF0-4D13-81C1-976EF7C59836	None

promote the project	Implementation Status			The reasons for the differences from the "Code of Practice for Sustainable Development of Listed Companies"
	Yes	No	Abstract Explanation	
			Operation and implementation status of the Sustainable Development Committee in 2023: Please refer to P80-81 of this annual report.	
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: https://www.kseco.com.tw/tc/about1.aspx?cid=101&cchk=812E398D-DFC2-43B1-8AC0-83184FB23358</p> <p>For management and strategies based on ESG risk assessment, please refer to: https://www.kseco.com.tw/upload/9/2021010409562886490.pdf</p>	None
3.Environmental issues A. Does the company establish an appropriate environmental management system according to its industrial characteristics?	√		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.	None

promote the project	Implementation Status			The reasons for the differences from the "Code of Practice for Sustainable Development of Listed Companies"
	Yes	No	Abstract Explanation	
B. Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?	✓		<p>B.</p> <p>a. Energy saving related to photovoltaics at each construction site of our company: (1) The warning lights for nighttime construction traffic maintenance and the warning lights for fences in the work area all use solar energy storage to reduce the use of alkaline batteries, protecting the environment and saving energy and reducing carbon emissions. (2) LED lamps are used for night lighting and construction machinery lighting during nighttime construction to reduce power consumption and achieve the benefits of energy saving and carbon reduction.</p> <p>b. Taipei Gangnan Pier C Reclamation Area Public Facilities and Permanent Bank Protection and S04~S05 Pier Project: 90% of recycled materials are reused, and the 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) to reduce project costs.</p> <p>Energy saving and carbon reduction results: Greenhouse gas emissions in 2023 will be 1,460.035 metric tons CO₂e, a reduction rate of 54.87% compared to the base year (2018: 3,234.903 metric tons CO₂e), and greenhouse gas emission density also reduced by 68.24%.</p>	None
C. Does the company assess the potential risks and opportunities of climate change for the company now and in the future,	✓		<p>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.</p>	None

promote the project	Implementation Status			The reasons for the differences from the "Code of Practice for Sustainable Development of Listed Companies"
	Yes	No	Abstract Explanation	
<p>and take measures to address climate-related issues?</p> <p>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 reduction, water use reduction or other waste management?</p>	√		<p>(See The company's website: http://www.kseco.com.tw/tc/about1.aspx?cid=101&cchk=812E398D-DFC2-43B1-8AC0-83184FB23358)</p> <p>And download the TCFD report from the sustainability area of our company's website: https://www.kseco.com.tw/tc/responsibility.aspx?cid=27&cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836</p> <p>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.</p> <p>(http://www.kseco.com.tw/tc/responsibility.aspx?cid=29&cchk=0ADDA6B5-8F20-4780-BE4C-67A38E65EBC6)</p>	None

promote the project	Implementation Status			The reasons for the differences from the "Code of Practice for Sustainable Development of Listed Companies"
	Yes	No	Abstract Explanation	
4. Social issues				
A. Has the company formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	✓		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. http://www.kseco.com.tw//tc/responsibility.aspx?cid=104&cchk=5E6B22F6-16F2-4F18-82F2-0049D0F59A55	None
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. http://www.kseco.com.tw//tc/humanResources.aspx?cid=13&cchk=EDA7FCF-1BBE-4AAC-978B-5737C87B3701	None
C. Does the company provide a safe and healthy work	✓		C. The company provides a safe, healthy and comfortable working	None

promote the project	Implementation Status			The reasons for the differences from the "Code of Practice for Sustainable Development of Listed Companies"
	Yes	No	Abstract Explanation	
environment for employees, and regularly implement safety and health education for employees?			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.	
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: https://www.kseco.com.tw/tc/humanResources.aspx?cid=12&cchk=9304CF63-133B-4378-B83D-CB735992B21E	None None
E. With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed	√		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.	

promote the project	Implementation Status			The reasons for the differences from the "Code of Practice for Sustainable Development of Listed Companies"
	Yes	No	Abstract Explanation	
<p>relevant regulations and international standards, and formulated relevant consumer protection 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>	None
5. Does the company refer to the internationally accepted reporting standards or guidelines to prepare reports that disclose non-financial information of the company,	√		<p>T 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>

promote the project	Implementation Status			The reasons for the differences from the "Code of Practice for Sustainable Development of Listed Companies"
	Yes	No	Abstract Explanation	
such as sustainability reports? Has the previous disclosure report obtained the assurance 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. (http://www.kseco.com.tw//tc/responsibility.aspx?cid=27&cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836)</p>				

3.4.7 Climate related information

1. Implementation of climate-related information

項目	執行情形
1. Describe the board and management's oversight and governance of climate-related risks and opportunities.	<p>The company has established a functional committee under the board of directors - the "Sustainability Development Committee", which is composed of three independent directors authorized by the board of directors to possess professional knowledge and capabilities in corporate sustainability. It holds at least two meetings a year and is responsible for formulating, promoting and strengthening the company's sustainability committee. Action plans and capital expenditures on important policies for sustainable development (including climate-related issues), review, track and revise the implementation and results of sustainable development, and report to the board of directors.</p> <p>The committee also has working groups composed of heads of departments:</p> <ol style="list-style-type: none"> 1. Environmentally Friendly Group: Promote energy conservation and carbon reduction measures, compliance with environmental laws and regulations, waste disposal, greenhouse gas management, conservation strategies for protected animals and plants at individual construction sites, ecological maintenance and other related measures. 2. Social Human Rights Group: Caring for and attaching importance to employee welfare and education and training, improving the company's external relations and social communication, promoting social welfare and social services, and establishing long-term partnerships with collaborators/suppliers. 3. Corporate Governance Group: Strengthen the operation of the board of directors, integrate various corporate governance rules and regulations, ensure information transparency, pay attention to risk management, protect shareholders' rights and interests, and practice the company's concept of honest management. <p>Other functional committees are also responsible for the governance of some climate-related issues, including:</p> <ol style="list-style-type: none"> 1. The "Audit Committee" holds meetings every quarter to review the effectiveness of the company's internal control system, ensure the effective implementation of the system and supervise the control of the company's existing or potential risks.

	<p>2 The "Remuneration Committee" holds meetings every six months to discuss, evaluate and review managers' compensation for ESG-related performance, and incorporate climate-related goals and goal achievement into managers' performance evaluation and compensation systems to monitor the achievement of goals on climate-related issues. .</p> <p>Through the reward system and the relevant results of climate change management, management is encouraged to operate the company's business in a way that makes the company profitable and achieves sustainable operations. In this way, the company's sustainable goals will be achieved and investors and stakeholders can Relationships bring value.</p>
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2. Describe how the identified climate risks and opportunities affect the company's business, strategy and finance (short-term, medium-term, long-term).	Short term: 1-3 years, medium term: 3-10 years, long term: more than 10 years				
	Risk type	period	project	Risk Statement/ potential financial impact	coping strategies
	physical risks	Short term	Operation interruption or loss caused by extreme weather events (such as typhoons/floods and droughts)	1. Affect employees' work (health, safety, absence). 2. Affect the progress of the construction period. 3. Asset value decreases.	Develop contingency plans for emergency disasters such as typhoon and flood prevention (possible situations and handling measures). Establish an emergency disaster response team for typhoon and flood prevention (organizing personnel for various tasks, making rosters, and arranging day and night shift schedules). Establish disaster notification and emergency response procedures for typhoon and flood prevention (emergency disaster and accident notification phone numbers and windows for each unit) Regularly conduct emergency disaster response drills and training for typhoon and flood prevention.

		long term	water shortage	Operating costs increase.	Set up rainwater collection and recycling facilities on the roofs of offices and dormitories. Set up groundwater collection and recovery facilities for earth excavation and dewatering operations at the construction site.
		long term	Mandatory water conservation efficiency, recycling and other standard requirements	Operating costs increase.	Install water-saving toilets, spray faucets and shower facilities. Rainwater and groundwater are recycled, filtered and reused. Wastewater collection and recycling facilities for bathrooms and washing facilities are installed for filtering and reuse.
		long term	Global warming causes increased water and electricity consumption and thermal injuries to employees	Operating costs increase.	Use power-saving LED light bulbs and energy-saving air conditioning equipment. Sprinkler systems are installed on the roofs of offices and dormitories, and indoor air conditioners are equipped with electric fans to reduce indoor temperatures. The outdoor passage lighting at the

					<p>construction site uses solar energy storage equipment.</p> <p>Sun-shaded rest stations are set up at the construction site, drinking water and salt tablets are provided for workers, and necessary emergency treatment equipment and medicines for heat stroke and other heat treatment are provided.</p>	
	轉型風險	Short term	Total greenhouse gas control and carbon tax and carbon fee	<p>The government has proposed a draft amendment to the Greenhouse Gas Reduction and Management Act in 2022. It is expected to achieve the net-zero emission target by 2050 and develop a carbon trading market and carbon fees.</p>	<p>Formulate short, medium and long-term energy conservation and carbon reduction strategies. It is expected that in the short term (within 1-3 years) half of the official vehicles will be replaced by hybrid vehicles; in the medium term (3-10 years) all official vehicles will be replaced by hybrid vehicles; in the long term (10 years) -25 years) to replace all official vehicles with electric vehicles to achieve the goal of energy conservation and carbon reduction.</p> <p>The company's short, medium and long-term energy saving and carbon reduction strategies are written into the subcontracting contract,</p>	

					requiring the manufacturer's vehicles and machinery entering and exiting the construction site to comply with the company's energy saving and carbon reduction strategies.	
		Short term	Increased regulations related to renewable energy	Operating costs increase.	The temporary power contract capacity application for the construction site is lower than the 800kW (watt) stipulated in the regulations. If there is a shortage, the zoning application method shall be adopted; the construction site shall use solar power storage equipment as much as possible, such as warning lights, street lighting, etc.; power-consuming equipment shall adopt energy-saving first-class products. , such as: air conditioning and refrigeration; our company and subcontractors use power-saving products for machinery and equipment.	

		medium 、 long term	Uncertainty in the development of energy-saving and carbon-reducing construction technology	1. Increase in operating costs. 2. Capital expenditure increases.	Use mature energy-saving and carbon-reducing construction technologies, such as replacing temporary RC construction access roads with steel trestles. Use furnace stone powder to replace a certain proportion of cement in the concrete mix. The cement mortar used in construction masonry projects will be replaced by "ready-mixed mortar".
		medium 、 long term	Increased use of renewable energy equipment	Capital spending increased.	Use solar power storage equipment, such as warning lights, street lighting, etc.
		Short 、 medium 、 long term	Environmental Assessment Commitments and Voluntary Agreements	Operating costs increase.	"Environmental Assessment Commitment" is a promise made by the owner or builder in the construction industry. The company is the contractor or builder and must comply with the contract requirements to achieve the above-mentioned owner or builder's promise. The relevant costs must be included in the contract amount between both parties.

	Opportunity type	period	project	Risk Statement/ potential financial impact	coping strategies
	Resources and energy	Short term	Reduce paper usage	1. Electronicize documents, change and enhance management models, and strengthen information security. 2. Reduced operating costs.	Electronic management: Establish an electronic document management center to convert original written materials such as contract documents, construction drawings, receipts, signatures, inspection and verification reports, etc. into electronic files for construction site personnel and related personnel to use IPAD and other equipment online Read, inspect and check, sign, sign for receipt, sign for, process and store.
		medium 、 long term	Energy-saving buildings used in construction	Operating costs are reduced.	Introduce relevant building materials and equipment for energy-saving buildings into building development projects.
		long term	Use low carbon energy	Operating costs are reduced.	Carbon Inventory collects, analyzes and summarizes the carbon energy content of various materials and machines during the construction process, and then selects low-carbon energy materials and machines.

	market	medium 、 long term	Increased public sector incentives	Operating costs are reduced.	Construction sites and departments are required to actively participate in various award submissions and competitions in the public sector.
		medium 、 long term	Become a green supply chain and gain exposure and chances of winning bids	Revenue increased.	<p>The processes from procurement, construction, safety and health management, and environmental protection are in line with greening.</p> <p>When purchasing, choose environmentally friendly raw material suppliers to supply environmentally friendly and energy-saving materials.</p> <p>During the construction process, construction tools and components should be selected that are energy-saving, disassembly, reusable, long-lasting, and recyclable.</p> <p>In terms of safety and health management, efforts should be made to avoid or reduce harm to the human body to the greatest extent, such as: reducing the harm to the human body caused by radiation, noise, abnormal high and low temperatures, abnormal air pressure, and harmful solid, gas,</p>

					and liquid chemical substances. In terms of environmental protection, efforts should be made to avoid or reduce environmental pollution to the greatest extent, such as reducing air and water pollution caused by construction waste, residual soil, dust, wastewater and oil pollution.	
	reputation/ resilience	medium 、 long term	Improve corporate reputation	Revenue increased.	Actively participate in various green supply chain-related certifications and ISO verifications.	
		medium 、 long term	Improve climate adaptability and emergency response capabilities	1. Reduced operating costs. 2. Capital expenditures are reduced.	In view of the impact of various climate anomalies and changes on the construction process of the project, the impact is classified through risk analysis, and emergency response measures are implemented according to the impact situation to reduce losses.	

<p>3. Describe the financial impact of extreme climate events and transition actions.</p>	<p>1. The financial impact of extreme weather events:</p> <ul style="list-style-type: none"> (1) Affecting employees' work (health, safety, absence from work). (2) Affects the progress of the construction period. (3) Asset value decreases. <p>Response measures and actions:</p> <p>Develop contingency plans for emergency disasters such as typhoon and flood prevention (possible situations and handling measures).</p> <p>Establish an emergency disaster response team for typhoon and flood prevention (organizing personnel for various tasks, making rosters, and arranging day and night shift schedules).</p> <p>Establish disaster notification and emergency response procedures for typhoon and flood prevention (emergency disaster and accident notification phone numbers and windows for each unit)</p> <p>Regularly conduct emergency disaster response drills and training for typhoon and flood prevention.</p> <p>2. Financial impact of transformation actions:</p> <p>In response to the increasingly stringent regulations related to greenhouse gas reduction, if the intensity of supervision continues to increase, greenhouse gas emissions generated during corporate operations may be levied with carbon taxes and carbon fees, thus increasing operating expenses. The company has formulated short, medium and long-term energy conservation and carbon reduction strategies. It is expected that half of the official vehicles (excluding engineering vehicles) will be replaced by gasoline-electric hybrid vehicles in the short term; in the medium term, all official vehicles (excluding engineering vehicles) will be replaced by gasoline and electric vehicles; In the long term, all official vehicles (excluding engineering vehicles) will be replaced by electric vehicles to achieve the goal of energy conservation and carbon reduction.</p>
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4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	The functional committees under the company's board of directors: the audit committee and the sustainable development committee are responsible for assessing and controlling various internal risk policies, structures, systems, norms, review and response to major risk events, and reporting the operation status and results. Board of Directors.	
	The company's climate risk management process is as follows:	
	Collection of data on climate-related risks	The Sustainable Development Committee has an ESG work promotion group established by the heads of various departments of the company, which is responsible for collecting domestic and foreign climate change-related information and classifying risks.
	Risk identification and analysis assessment	Analyze the climate risks that may affect the company, identify them by risk type and degree of occurrence, assess the company's financial impact, and then analyze and evaluate possible opportunities. Risk section: 4 items of entity risks and 5 items of transformation risks. Opportunity section: divided into 3 items: resources and energy, 2 items: market, and 2 items: reputation/resilience.
	Risk control and response strategies	9 risks and 7 opportunities will be discussed to discuss risk control and response strategies for continuous improvement and review.
	Risk monitoring and reporting	The ESG work promotion team implements the aforementioned process and reports the implementation status to the Sustainability Development Committee every six months, which is continuously monitored by the Sustainability Development Committee and reported to the Board of Directors every six months.

<p>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be explained.</p>	<p>Scenarios, parameters, assumptions, analytical factors and key financial impacts:</p> <p>The Company's scenario analysis is constructed using publicly available data sources, including assessments and reporting on climate emission pathways by the United Nations Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). The time frame used is 2023 to 2050.</p> <p>According to the assessment report released by the United Nations Intergovernmental Panel on Climate Change (IPCC), four climate change scenarios are proposed using the "Representative Concentration Pathway" (RCP):</p> <p>(1) RCP2.6 is a low-emissions scenario that limits global warming to less than 2° C (compared to pre-industrial times), also known as the 2° C scenario.</p> <p>(2) RCP4.5 is a moderate emissions scenario that still falls short of the 2° C limit and 1.5° C target, and is considered likely to produce about 2.4° C of warming.</p> <p>(3) RCP6.0 is a medium-to-high emissions scenario in which greenhouse gas emissions peak around 2060 and begin to decline towards the end of this century, and are considered likely to produce a warming of 2.8°C.</p> <p>(4) RCP8.5 is a high-emissions scenario consistent with current policies, with possible warming of up to 4.3° C.</p> <p>Under the IPCC RCP (Representative Concentration Pathway) 2.6, the Taiwanese government's "Taiwan Climate Change Estimation Information and Adaptation Knowledge Platform Project" (TCCIP) proposed an analysis of extreme climate events (such as typhoons and heavy rains) indicating the number of typhoons that will invade Taiwan in the future. will decrease, but the proportion of strong typhoons will increase, the rainfall intensity will increase, and the frequency and intensity of heavy rains will continue to increase. Therefore, the increased severity of extreme weather events such as typhoons</p>
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	<p>and floods will lead to damage to facilities/equipment, and the impact of extreme weather events on suppliers' operations and production will lead to product supply interruptions/delays, thereby increasing operating costs. It is initially estimated that operating costs will increase slightly. Under the IPCC RCP8.5 scenario, countries do not take any measures, resulting in higher and higher temperature rises, resulting in intensified climate extreme events. The severity of extreme weather events such as typhoons and floods will be higher, resulting in more severe damage to facilities/equipment. Extreme weather events will also impact suppliers' operations and production, resulting in product supply interruptions/delays, thereby increasing operating costs. Preliminary estimates indicate a significant increase in operating costs.</p>
<p>6. If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transformation</p>	<p>The company will respectively reduce direct emissions from operating activities (Scope 1) and indirect emissions from energy use (Scope 2).</p> <p>1. Reduction of direct emissions: Half of the official vehicles (excluding engineering vehicles) will be replaced by gasoline-electric hybrid vehicles in the short term, all will be replaced by gasoline-electric hybrid vehicles in the medium term, and electric vehicles will be replaced in the long term.</p> <p>2. Reduction of indirect energy carbon emissions: (1) The warning lights for nighttime construction traffic maintenance and the warning lights for fences in the work area use solar energy storage to reduce the use of alkaline batteries and protect the environment.</p>

risks.	<p>environmental protection, energy conservation and carbon reduction.</p> <p>(2) Night lighting and construction equipment lighting during night construction use LED lamps to reduce power consumption and achieve energy conservation and carbon reduction.</p> <p>Indicators and targets for physical risk and transition risk:</p> <p>The company uses operating costs as an indicator of entity and transformation risks, and whether it can reduce operating costs as a target of entity and transformation risks. For relevant content, please refer to the TCFD report prepared by our company. The download URL is as follows:</p> <p>https://www.kseco.com.tw/tc/responsibility.aspx?cid=27&cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836</p>
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	The Company does not yet use internal carbon pricing.
8. If climate-related goals are set, information such as the activities covered, greenhouse gas emission scope, planning schedule,	<p>The company has started conducting greenhouse gas inventory since 2018, with individual companies as the inventory boundary, and Category 1 and Category 2 as the inventory scope, and reporting the plan implementation status to the Board of Directors every quarter.</p> <p>Currently, with 2018 as the base year, greenhouse gas emissions are reduced by more than 2% every year. It is expected that the cumulative carbon reduction will reach 50% by 2030, and net-zero carbon emissions will be achieved by 2050.</p> <p>The current execution situation is as follows:</p>

annual achievement progress, etc. should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, information such as Explain the source and quantity of carbon reduction credits or the quantity of renewable energy certificates (RECs) being redeemed.	The greenhouse gas emissions in 2012 were 1,460.035 metric tons CO ₂ e, a reduction rate of 54.87% compared to the base year (2018: 3,234.903 metric tons CO ₂ e), and the greenhouse gas emission density also decreased by 68.24%.
9. Greenhouse gas inventory and confirmation, reduction goals, strategies and specific action plans (fill in 1-1 and 1-2 separately).	not applicable. (According to the provisions of Article 10, Item 2 of the Guidelines for Matters to Be Recorded in the Annual Reports of Publicly Offering Companies, the Company shall complete disclosure starting from 2027)

1-1 The company's greenhouse gas inventory and confirmation status in the last two years: not applicable (according to the provisions

of Article 10, Item 2 of the Standards for Matters Recorded in the Annual Report of Publicly Issuing Companies, the company should complete disclosure starting from 2027)

1-1-2 Greenhouse gas assurance information: Not applicable (according to the provisions of Article 10, Item 2 of the Standards for Matters to Be Recorded in Annual Reports of Publicly Offered Companies, the company should complete disclosure starting from 2028)

3.4.8 Ethical Corporate Management

promote the project	Implementation Status ¹			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	✓		(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	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>senior management to actively implement the management policy?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of 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>company's website for the company's integrity management and operation in 2023: https://www.kseco.com.tw/tc/responsibility.aspx?cid=115&ccchk=70AACCD8-FC40-452C-822C-378B234FF98A</p> <p>(2) The company has formulated the "Guidelines for Operational Procedures and Behaviors of 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</p>	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(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?	√		in internal control. (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 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).	None
2. Implement integrity management (1)Does the company evaluate the honest and credit records of the counterparty and specify the terms	√		(1)The company's internal control system has strict specifications, establishes a supplier data	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>of honesty and credit in its long contract with the counterparty?</p> <p>(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?</p>	√		<p>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.</p> <p>(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 2023 integrity management and related prevention plans and supervision implementation status have been reported by the board of directors on March 12, 2024. Please refer to the company's website for the</p>	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company formulate a policy to prevent conflicts of interest, provide appropriate presentation channels, and implement them?	√		<p>relevant implementation status of integrity management: https://www.kseco.com.tw/tc/responsibility.aspx?cid=115&cchk=70AACCD8-FC40-452C-822C-378B234FF98A</p> <p>(3) The company has provisions for avoiding interests in the code of good faith operation 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</p>	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(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	✓		<p>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 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</p>	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>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 management?</p>	✓		<p>dishonesty.</p> <p>(5) The company regularly organizes (at least once a year) internal and external education and training on integrity management. In 2023, 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 09, 2023. Directors and managers are invited to participate, 2 hours in total, 12 people. After the meeting, the course</p>	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			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.	
3. The operation of the company's whistleblowing system (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? (2) Has the company set the standard operating	√		(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. (2) Standard operating procedures for the	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>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>(3) Does the company provide proper whistleblower</p>	√		<p>investigation and prosecution matters related security mechanisms:</p> <ol style="list-style-type: none"> 1. On receipt of report telephone or mail, receiving personnel record made, Chen reported immediately processed. 2. If an interested party rights are infringed or when there are other opinions, to report the matter in writing, the contractor should immediately identify each process, or layer packet processing, and handling the case by return results or prosecutors. 3. Prosecutors funded under the provisions of a Personal Data Protection Act, the investigation also absolutely confidential, and may not disclose <p>(3)The company strictly prohibits retaliation for</p>	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
protection?	√		good faith communications or persons who assist in the investigation of any kind.	None
4. Strengthening information disclosure (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 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 :</p> <p>http://www.kseco.com.tw/tc/regulations.aspx</p> <p>Operation situation and effectiveness:</p> <p>https://www.kseco.com.tw/tc/responsibility.aspx?cid=115&cchk=70AACCD8-FC40-452C-822C-37</p>	None

promote the project	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			8B234FF98A	
<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.</p> <p>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> <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.

3.4.9 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>

3.4.10 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.

3.4.11 Internal Control Systems

A. Internal Control Statement:

Kung Sing Engineering Corporation
Internal Control Statement

Date: March 12, 2024

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, 2023, 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 12, 2024. Among the 7 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.

3.4.12 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.

3.4.13 Major Resolutions of Shareholders' Meeting and Board Meetings

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

The 2023 Annual Shareholders' Meeting of the Company was held on June 27, 2023. The matters and implementation of the shareholders' resolutions were as follows:

a. 2022 annual business report and financial report.

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

b. 2022 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. Amend some provisions of the company's "Rules of Procedure for Shareholders' Meetings".

Implementation: Submit to the shareholders' meeting for discussion and resolution. Amendments to these Rules shall be effective upon approval by the shareholders' meeting.

d. The by-election of an independent director.

Execution status: Independent directors: The elected list is as follows

Account name or name	vote weight
Chiang jung ch' ing	309, 001, 701

e. Lifting the non-competition restrictions of the new independent directors.

Implementation: The shareholders' meeting passed the resolution. Items permitted to engage in competitive behavior: items similar to the company's business scope. The period of permission to engage in non-competitive behavior: the period of serving as a director of the company.

B. Important resolutions of the board of directors:

The summary of the important resolutions of the board of directors of the company for 2023 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 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 : Amend some of the provisions of the Company's " Revision of some provisions of the Company's "Code of Corporate Governance Practice" for discussion.

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

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

Content: It is proposed to set aside 5% of employee remuneration, calculated as NT\$3,042,725, and 0% of directors' remuneration, calculated as NT\$0.

Resolution: During the voting on this case, the interested parties recused themselves and other directors voted. This case was approved by all directors present without objection.

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

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

Resolution: During the voting on this case, the interested parties recused

themselves and other directors voted. This case was approved by all directors present without objection.

Sixth case : By-election of an independent director for discussion.

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

Seventh case : Acceptance of nomination period and location cases for independent director candidates of the company 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 of the certified accountants and submits them for approval.

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

Eleven case : The proposed pre-approval of visa accountants, their firms and firm-related companies and alliance firms intends to provide non-assurance services (non-assurance services) to the company and its subsidiaries, and is proposed for discussion.

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

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

First case : The financial report for the First 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. Board of Directors, August 11, 2023 (the 27th, Third 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 : Formulate the company's "Organizational Rules of the Sustainable Development Committee" for discussion.

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

Third case : Establish a "Sustainable Development Committee" and appoint sustainable development committee members, and propose appointments.

Resolution: After the chairman consulted all the directors present, it was decided to

appoint three independent directors, Tu, Yi-yang, Chen, chin- yueh and Chiang jung ch'ing, to serve as members of the first sustainable development committee. The three sustainable development committee members recommended one person from each other and agreed to recommend Chen Qinyue for this session. Convener of the Sustainability Committee.

Fourth case : Review the salary and remuneration adjustments for newly appointed independent directors, audit committee members, the newly established Sustainable Development Committee and manager salary and remuneration, and submit them for discussion. (Securities and Exchange Act 14-3)

Content: Regularly review the policies, systems, standards and structures of remuneration for directors and managers, and approve the current remuneration items for the company's directors (including independent directors) and managers. Review the salary and remuneration adjustments of newly appointed independent directors, audit committee members, the newly established sustainable development committee, and manager salary and remuneration.

Resolution: During the voting on this case, the interested parties recused themselves and other directors voted. This case was approved by all directors present without objection.

Fifth case : The application for the company's bank guarantee limit and working capital comprehensive limit is submitted for discussion.

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

d. Board of Directors, November 09, 2023 (the 27th, fourth time of Board , 2023)

First case : Financial report for the third quarter of 2023, submitted for discussion.

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

Second case : Formulate the scope of carbon inventory and carbon reduction targets for next year for discussion.

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

Third case : Review the salary of the new executive deputy general manager for discussion.

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

Fourth case : Application and extension case for the company's bank guarantee limit and working capital comprehensive limit for discussion.

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

resolution without objection.

f. Board of Directors, December 29, 2023 (the 27th, Fifth time of Board , 2023)

First case : The company's "2024 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 "2024 Audit Plan" is for discussion.

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

Third 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 2023".

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.

Fourth case : Regarding the application for the company's bank guarantee limit and working capital comprehensive limit for discussion.

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

g. Board of Directors, March 12, 2024 (the 27th, first time of Board , 2024)

First case : The 2023 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 : Revision of some provisions of the Company's "Rules of Procedure for Board of Directors" for discussion.

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

Fourth case : The 2023 employee and director remuneration distribution plan is submitted for discussion. (Securities Act 14-3)

Content: It is proposed to provide 4.46% of employee remuneration at NT\$3,282,267, 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 and salary adjustments of directors and managers in 2024. (Securities Act 14-3)

Content: Regularly review the policies, systems, standards and structures of remuneration for directors and managers, and approve the current remuneration items for 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 : Comprehensive re-election of directors.

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

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

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

Eighth case : Matters related to the company's 2024 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 regularly evaluates the independence and competency of certified accountants for discussion.

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

tenth case : The company plans to change the appointed stock agency starting from August 1, 2024 for discussion.

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

Eleventh case : Regarding the extension of the company's bank guarantee limit and working capital comprehensive limit for discussion.

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

h. Board of Directors, May 10, 2024 (the 27th, second time of Board , 2024)

First case : The financial report for the First quarter of 2024 is submitted for discussion.

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

Second case : The 2023 earnings distribution proposal is submitted for consideration.

Content: The undistributed surplus at the beginning of the current period is NT\$255,626,384, plus the after-tax surplus for 2023 NT\$ 67,323,670, losses NT\$ 4,533,164 for other comprehensive gains and losses in 2023, deducting 10% of the statutory surplus reserve of NT\$ 6,279,051, the distributable surplus for the current period is NT\$312,137,839 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 : Review the qualifications of candidates for directors and independent directors and submit for discussion. (Securities Act 14-3)

Content: 1% shareholders nominate candidates and the board of directors reviews them. (All nominated candidates are qualified. The independent director Mr. Du Yiyang has stated the reasons for his nomination for three consecutive terms by the nominating shareholder at the time of nomination. A major information announcement for the renewal of the nomination will be made after the board of directors. In this case, after consultation by the chairman, all directors present did not Objection passed.)

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

Fourth case : Lifting the non-competition restrictions of new directors and their representatives, for discussion. (Securities Act 14-3)

The directors of the company (including independent directors) may invest in or operate other companies with the same or similar business scope as the company and serve as directors. This is to recruit professionals to serve as directors of the company without harming the interests of the company. Under such circumstances, it is planned to request the shareholders' meeting to agree to lift the non-competition restrictions on newly elected directors (including independent directors) and their representatives to facilitate business promotion.

After the case was approved by the board of directors, it was submitted to the 2024 regular shareholder meeting for discussion, and its scope and content were supplemented on the spot.

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

Fifth case : Lifting the manager's non-competition restrictions for discussion.

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

Sixth case : Authorization case regarding subsidiary name change, appointment of legal person director and equity transfer for discussion.

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

Seventh case : Cases concerning the application, extension and ratification of the company's bank guarantee limit and working capital comprehensive limit 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 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 assesses the independence of 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.

Fourth case : The proposed pre-approval of visa accountants, their firms and firm-related companies and alliance firms intends to provide non-assurance services (non-assurance services) to the company and its subsidiaries, and is

proposed 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 was submitted to the Board of Directors and passed without objection by all directors present.

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

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

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 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.

c. Audit Committee, August 11, 2023(the 27th, third time of Board , 2023)

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

d. Audit Committee, November 09, 2023(the 27th, fourth time of Board , 2023)

First case : The financial report for the third quarter of 2023 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.

e. Audit Committee, March 12, 2024 (the 27th, first time of Board , 2024)

First case : 2023 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.

f. Audit Committee, May 10, 2024(the 27th, second time of Board , 2024)

First case : Consolidated financial report for the first quarter of 2024.

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 2023 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

Accounting firm name	Accountant name	Accountant audit period	Audit public expenses	Non-audit public fees	total	Remark
PWC Accounting Firm	Lin, Se-kai	2023.1.1~2023.12.31	3,740	1,110	4,850	Non-audit public expenses include tax stamps and project inspection fees.
	Wen, Ya-Fang	2023.1.1~2023.12.31				

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: None

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

Title	Name	2023		Unit: Shares As of April 27, 2024	
		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	Chiang jung ch'ing (New appointment on 2023.06.27)	0	0	0	0
General manager	Chiang,chi-ching	0	0	0	0
Executive Deputy General Manager(New appointment on February 10, 2023)	Chan ming-t'ang	0	0	0	0
Vice- General Manager	Liu, Yung-ching	5,000	0	0	0
Vice- General Manager(New appointment on February 10, 2023)	Ting ch'êng-chih	0	0	0	0
Vice- General Manager(New appointment on November 23, 2023)	Pan,ying-jiuan	0	0	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 4/27/2024

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	33,140,062	6.73	17,803,076	3.62	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	
Honghui Development and Construction Co., Ltd. person in charge : Pan, kuan-ju	20,883,500	4.24	0	0	0	0	None	None	
	27,099,963	5.50	0	0	0	0	Pan, chun- jung	Father and daughter	
							Li, kuei- mei	Mother 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	
Li, kuei- mei	17,803,076	3.62	33,140,062	6.73	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	
Weng, ling yi	14,515,000	2.95	3,805,000	0.77	0	0	None	None	
Ch'uan Fu Investment Co. Ltd	13,321,163	2.71	0	0	0	0	None	None	
person in charge : Pan, ying- hsun	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	
Jang, li ling	11,312,000	2.30	0	0	0	0	None	None	
Hung yi Investment Co. Ltd	7,519,847	1.53	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	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	
Wang, feng jen	6,299,000	1.28	0	0	0	0	None	None	
Ju hsiang Investment Co., Ltd	5,507,594	1.12	0	0	0	0	None	None	

person in charge : Li, kuei- mei	17,803,076	3.62	33,140,062	6.73	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., Ltd. person in charge : Pan, kuan-ju	Mother and son	
							Pan, kuan-ju	Mother and son	

3.10 Ownership of Shares in Affiliated Enterprises

2023/12/31 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 7th 1993.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Type of Stock

Share Type	Authorized Capital			Remark
	Issued Shares	unissued 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 04/27/2024

Item	Government Agencies	Financial Institutions	Other legal persons	Personal	Foreign Institutions and Outsiders	Total
Number of Shareholders	4	0	284	60,366	94	60,748
Shareholding (shares)	1,267,470	0	62,619,327	404,188,029	24,205,329	492,280,155
Percentage	0.26%	0%	12.72%	82.11%	4.91%	100%

4.1.3 Shareholding Distribution Status

A. Common Shares

As of 4/27/2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	36,106	2,554,713	0.52
1,000 ~ 5,000	17,118	37,377,750	7.59
5,001 ~ 10,000	3,574	28,558,613	5.80
10,001 ~ 15,000	1,166	14,784,641	3.00
15,001 ~ 20,000	772	14,450,442	2.94
20,001 ~ 30,000	696	18,038,841	3.66
30,001 ~ 40,000	309	11,048,122	2.24
40,001 ~ 50,000	210	9,872,328	2.01
50,001 ~ 100,000	453	33,197,707	6.74
100,001 ~ 200,000	181	25,904,666	5.26
200,001 ~ 400,000	77	21,541,423	4.38
400,001 ~ 600,000	13	6,665,407	1.35

600,001 ~ 800,000	16	10,891,294	2.21
800,001 ~ 1,000,000	11	10,232,601	2.08
1,000,001 or over	46	247,161,607	50.22
Total	60,748	492,280,155	100.00%

B. Preferred Shares

The company did not issue Preferred Shares.

4.1.4 List of Major Shareholders

As of 04/27/2024

Shareholder's Name	Shareholding	
	Shares	Percentage
Pan, chun- jung	33,140,062	6.73
Pan, kuan-ju	27,099,963	5.50
Honghui Development and Construction Co., Ltd.	20,883,500	4.24
Li, kuei- mei	17,803,076	3.62
Weng, ling yi	14,515,000	2.95
Ch'uan Fu Investment Co. Ltd	13,321,163	2.71
Jang, li ling	11,312,000	2.30
Hung yi Investment Co. Ltd	7,519,847	1.53
wang feng jen	6,299,000	1.28
Ju hsiang Investment Co., Ltd	5,507,594	1.12

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

Unit: NT\$

Items	2022	2023	01/01/2024-03/31 /2024(Note 8)
Market Price per Share(Note 1)			
Highest Market Price	8.58	15.70	15.95
Lowest Market Price	6.20	6.62	11.90
Average Market Price	7.32	8.25	13.71
Net Worth per Share(Note 2)			
Before Distribution	10.73	10.97	10.79
After Distribution	10.73	(Note9)	-
Earnings per Share			
Weighted Average Shares (thousand shares)	492,280,155	492,280,155	492,280,155
Diluted Earnings Per Share(Note 3)	0.02	0.14	(0.20)
Dividends per Share			
Cash Dividends	None	(Note 9)	-
Stock Dividends			
• Dividends from Retained Earnings	None	(Note 9)	NA
• Dividends from Capital Surplus	None	(Note 9)	NA
Accumulated Undistributed Dividends(Note 4)	-	-	NA
Return on Investment			
Price / Earnings Ratio (Note 5)	366	58.93	NA
Price / Dividend Ratio (Note 6)	None	-	NA
Cash Dividend Yield Rate (Note 7)	None	-	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 reminder 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 2023 dividend distribution has been approved by the board of directors on May 10, 2024, 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 25, 2024.

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 2023 Approved in Board of Directors Meeting

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

Employee Bonus – in Cash	\$3,282,267
Employee Bonus – in Stock	0
Directors' and Supervisors' Remuneration	0
Total	\$3,282,267

- (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\$0.14.

- 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:

	2022 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	3,042,725	3,042,725	None
Employee Compensation - Stock Bonus	0	0	None
Director's Remuneration	0	0	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 Handling of new shares with restrictions on employee rights:

None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.8 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 2023	(%) of Total Sales
Engineering contract	5,345,299	99.98
others	822	0.02
total	5,346,121	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.
6. MRT projects: Y19 (inclusive) ~ Y20 (inclusive) civil engineering and water and electricity environmental control section of the northern ring section of the circular line, Kaohsiung Metropolitan Area Mass Rapid Transit System Metropolitan Line (Yellow Line) YC03 standard civil engineering, facilities electromechanical and track turnkey project

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 2023, there were 19,798 domestic construction plants, including 3,231 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.

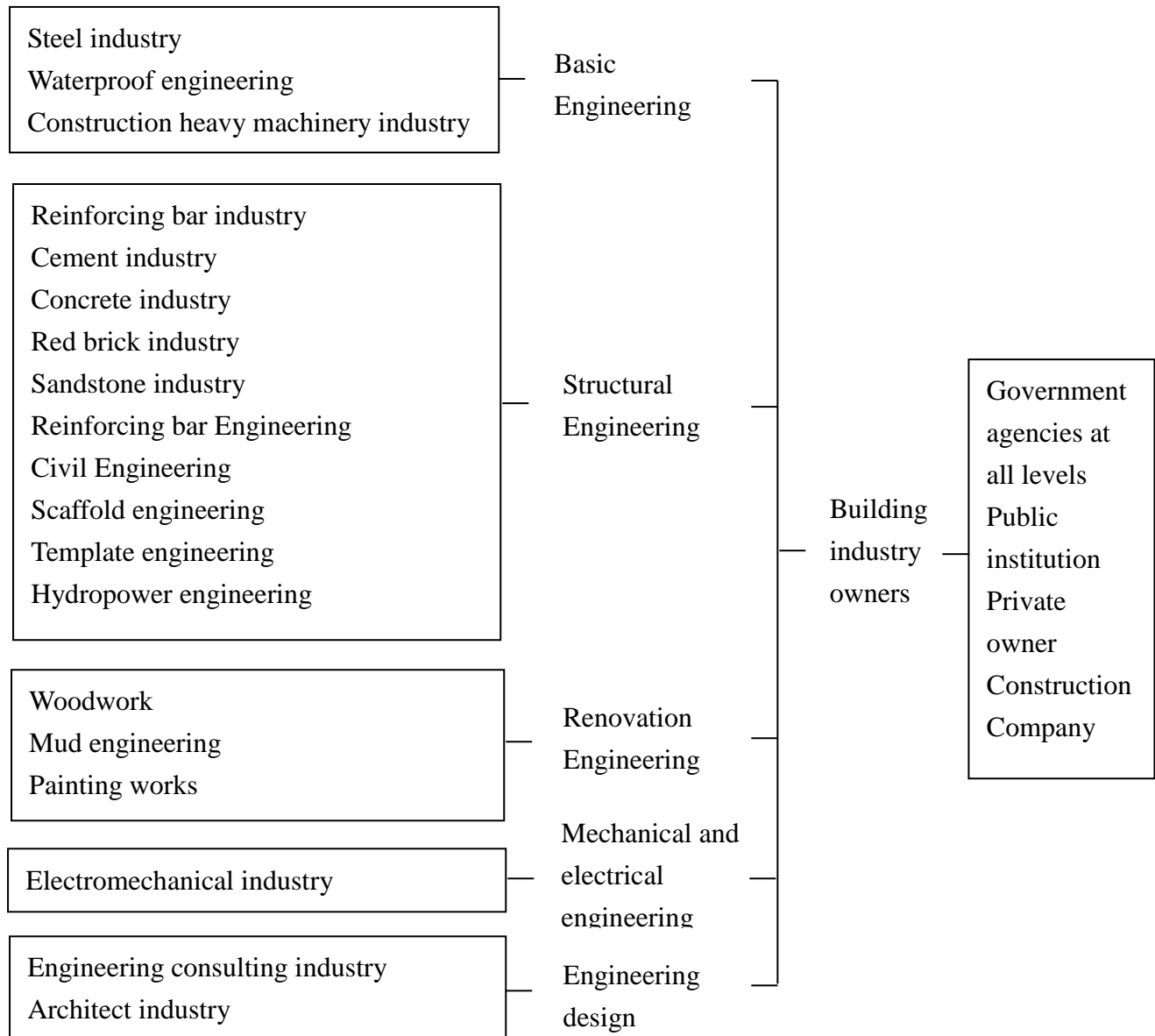
B. Industry, upper, middle and lower reaches:

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 + construction	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	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	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	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 full casing pile removal construction method	Designed for removal of foundation piles of Gaojieyuan Ziqiang Viaduct
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	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	Double arch horizontal steel formwork method	Designed for Air Force H007 twin hangars
15	Design + construction	Underpinning construction method	Used for Taichung Power Plant drainage box culvert through 161KV underground pipe diameter

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 (%)
2023	3,875,435 millions	5,346 millions	0.14
2022	3,599,603 millions	4,626 millions	0.13

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

- (1) The Accounting and Accounting Office of the Executive Yuan predicted GDP at the beginning of 2023 to be 2.75%, and announced on November 28, 2023 that the GDP forecast for 2023 was revised downward to 1.42%. However, in recent years, the U.S.-China trade conflict, the ongoing war between Russia and Ukraine, rising inflation, and the U.S. The Federal Reserve's interest rate hikes and food and fuel price fluctuations, coupled with the impact of this year's Israeli-Palestinian conflict; if the war continues to expand, the situation will be very scary. At that time, inflationary pressure will revive in various countries, and the high interest rate environment will last longer. Global economic growth next year It is full of uncertainty and may fall into recession.

In 2024, the government will strengthen the resilience of economic growth, expand investment in public construction, expand international cooperation and exchanges, accelerate cross-domain cooperation in science and technology, strengthen Taiwan's cultural strength, strengthen the development of the outlying island Huadong, etc., improve execution, and implement execution benefits to promote economic stability. growing up.

A total of NT\$588.6 billion is earmarked for government public construction projects in 2024, a decrease of approximately NT\$8.6 billion compared with the same basic budget of NT\$597.2 billion in 2023. Among them, "transportation and construction" and "environmental resources" are within the scope that the construction industry can undertake.

The three major sub-categories of "sources" and "urban and regional development" have a total allocation of NT\$271 billion, and the most important category of transportation construction has an allocation of NT\$172 billion.

In 2024, 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) Maglignant 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 indenpendently, 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

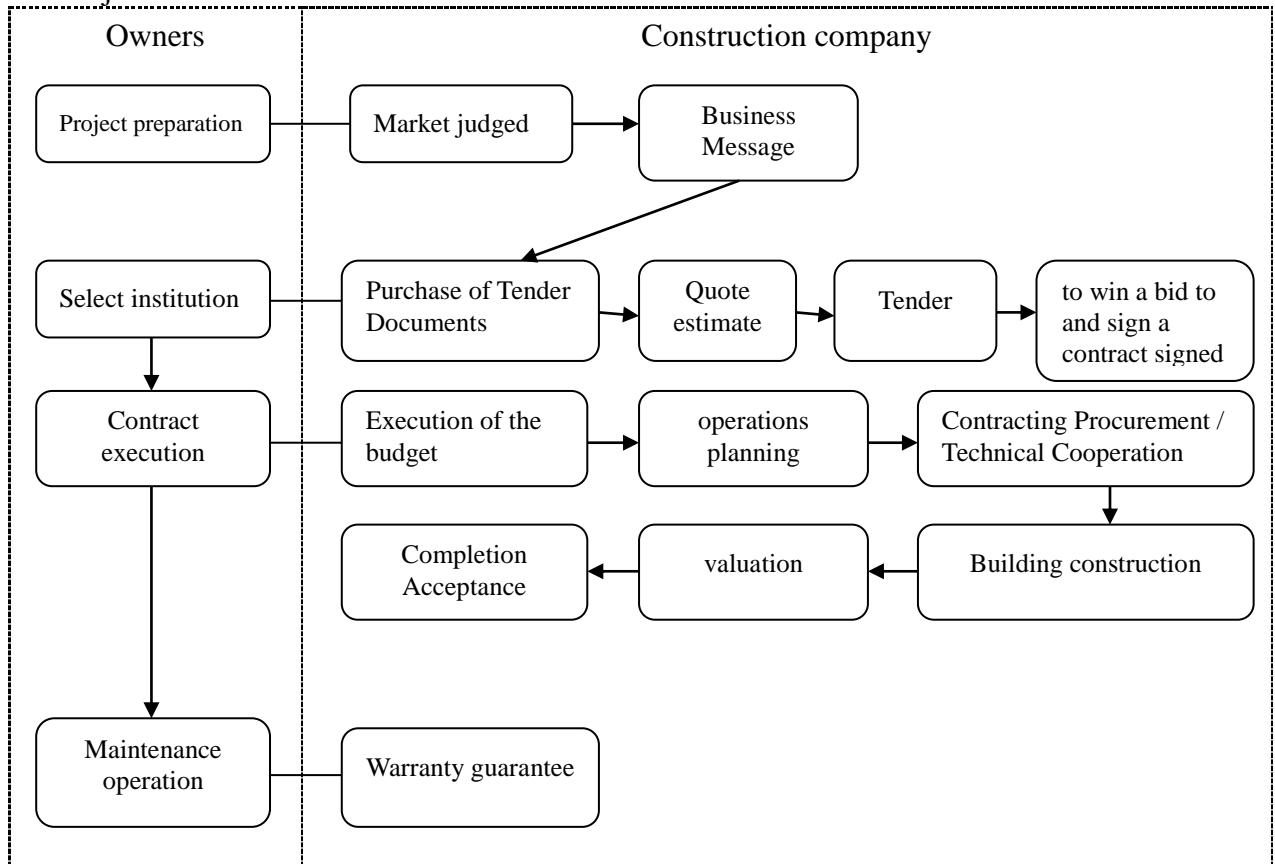
(1) Civil engineering

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	2022				2023				2024 (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	1,046,889	25.11%	None	Jianshan Machinery	723,163	17.83%	None	Jianshan Machinery	228,276	20.32%	None
2	Tung Ho Steel Enterprise Corp.	638,765	15.32%	None	Tung Ho Steel Enterprise Corp.	516,234	12.73%	None	Tung Ho Steel Enterprise Corp.	120,900	10.76%	None
3	Jianshan Machinery	525,965	12.62%	None	Chao Shen company	364,137	8.98%	None	Chao Shen company	109,092	9.71%	None
	Others	1,932,753	46.36%		Others	2,451,988	60.46%		Others	665,283	59.21%	
	Net Total Supplies	4,169,173	100.00 %		Net Total Supplies	4,055,522	100.00 %		Net Total Supplies	1,123,551	100.00 %	
Reasons for the increase or decrease: The decrease in Zhao Shen is mainly due to the completion of the Taipei Port S07 and S08 projects and the Taitan Power Plant project in 2023.												

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	2022				2023				2024(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	2,373,685	51.32%	None	Directorate General of Highways	2,525,489	47.24%	None	Directorate General of Highways	599,105	39.90%	None
2	Taiwan Power Company	1,618,856	35.00%	None	Taiwan International Ports Corporation, Ltd	1,170,717	21.90%	None	Taiwan International Ports Corporation, Ltd	345,861	23.03%	None
3	Taiwan International Ports Corporation, Ltd	306,661	6.63%	None	Taiwan Power Company	1,035,896	19.38%	None	Taiwan Power Company	257,671	17.16%	None
	Others	326,312	7.05%		Others	614,019	11.48%		Others	299,061	19.91%	
	Net Sales	4,625,514	100.00%		Net Sales	5,346,121	100.00%		Net Sales	1,501,698	100.00%	

Reason for increase or decrease: Increase in revenue from Taiwan Port Company: Taipei Port S04-S05 Terminal project will start in July 2022. The initial stage of the project is mainly based on hypothetical engineering and document review, with limited revenue. In the second year (2023) Entering the main construction period, all construction areas have been carried out smoothly, and revenue has increased significantly.

Decrease in Taipower Company: Taichung Power Plant's new gas-fired unit plans to build a circulating water pumping room and a new culvert. Last year, the design was changed due to on-site construction factors. The owner's design change process was cumbersome and lengthy, resulting in revenue delays and a decrease in the share.

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	2023			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)						
Public construction		-	5,028,658	-	-	4,405,589
Total	-	-	5,028,658	-	-	4,405,589

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Major Products (or by departments)	Year	2023				2022			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Operating income		-	5,346,121	-	-	-	4,625,514	-	-
Total		-	5,346,121	-	-	-	4,625,514	-	-

5.3 Human Resources

Year		2022	2023	Data as of ending data in the current year 2024(As of March 31)
Number of Employees	Manager	8	12	12
	General staff	168	208	241
	Foreign labor	345	396	456
	Total	521	616	709
Average Age		49.01	47.45	46.62
Average Years of Service		11.69	9.67	8.35
Education	Ph.D.	1.14	1.36	1.19
	Masters	16.48	15.91	17.00
	Bachelor's Degree	38.07	43.64	14.29
	College	27.83	24.09	24.11
	Senior High School	15.34	13.64	14.23
	Below Senior High School	1.14	1.36	1.18

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**

	2022	2023(Note)	The current year as of March 31st, 2024
Pollution	Violations of environmental law	Violations of environmental law	Violations of environmental law
Amount of penalty	\$70	\$60	\$0

Note : Environmental fines for 2023 are as follows :

Date	Number	Violation of legal provisions	Content that violates laws and regulations	Punishment content
2023/02/10	Fu Jian Ji Zi No. 1110250399	Article 29 and Article 29-1 of the Implementing Rules of Taiwan Province of the Urban Planning Act.	If there is a need for the establishment of relevant facilities or permitted facilities on the land in agricultural zones, it shall be necessary to apply for approval from the target business unit or the agricultural competent authority before the installation can be carried out.	Fine of NT\$60,000

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. In 2023, the Papaya Creek project was fined for not applying for agricultural zone land use in advance. The company has drafted a plan as soon as possible and applied for legal use approval.

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 2023 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	2,488	918,328
Human Resources, Administration, Audit, Legal, Information Courses	External training for each major	14	103	26,558
Financial accounting, director education training course	Director training and staff training	9	66	16,000
Internal education training	Prevention of insider trading and integrity management education and business English and Japanese education and training, etc.	259	594	0
total		465	3,251	960,886

(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				
2023/08/29	2023/08/29	Director, Auditing Office Liu, Te-chang	Financial assets of the corporation Futures Development Foundation	Analysis of practical cases of disclosure of major company information and hollowing out assets	6
2023/11/15	2023/11/15			Compliance audit risks of the board of directors and functional committees	6
2023/12/21	2023/12/22	Accounting Supervisor Wen, Shu Chiao	Republic of China Accounting Research and Development Foundation	Continuing training courses for accounting supervisors of issuers, securities companies 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				
2023/06/02	2023/06/02	General manager Chiang, chi-ching	Association for the Advancement of Industry and Commerce of the Republic of China	Company Directors and Supervisors Study—"2023 Taixin Net-Zero Power Summit Forum"	3
2023/07/04	2023/07/04		Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit Forum	3
2023/07/04	2023/07/04	Corporate Governance Supervisor Li, kuei- chung	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit Forum	3
2023/10/20	2023/10/20		Financial Supervisory Commission	2023 Insider Trading Prevention Promotion Conference	3
2023/11/03	2023/11/03			Listed OTC Companies-Insight into the Derivative Financial Market and Move towards Corporate Sustainability Seminar	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	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	Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications	2020.12.02~2025.05.30	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.	2021.03.01~2026.11.30	Taichung Power Plant's new gas-fired unit plans to recycle water pumping machine room and underdrain construction	None
Engineering contract	Taiwan Ports Co., Ltd. Keelung Port Branch	2022.07.21~2027.05.30	Public facilities and permanent revetment and S04~S05 wharf project of Taipei Gangnan Wharf reclamation area	None
Engineering contract	Air Force 7th Tactical Fighter Wing (original contract name: Air Force 7th Flying Training Wing)	2023.03.14~2027.12.22	Air Force H007 Project	None
Engineering contract	Taipei City Government Rapid Transit Engineering Bureau District 1 Engineering Office	2023.10.5~2032.4.5	The CF681 sub-construction standard civil engineering of the Y19 (exclusive) ~ Y20 (inclusive) civil engineering and water and electricity environmental control section of the northern ring section of the ring line	None
Engineering contract	Ministry of Agriculture and Fisheries Administration	2023.11.16~2025.3.9	Qianzhen Fishing Port Area Dredging Project	None
Engineering contract	Eastern Engineering Branch of the Railway Bureau of the Ministry of Transport	2023.12.21~2028.5.26	Huadong area railway double-track electrification plan CB02 bid is restored to Ruisui civil engineering and track engineering	None
Engineering contract	Kaohsiung City Government Rapid Transit Engineering Bureau	3256 calendar days	Kaohsiung Metropolitan Area Mass Rapid Transit System Metropolitan Line (Yellow Line) YC03 Standard Civil Engineering and Facilities Mechanical and Electrical Turnkey Project	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)
		2019	2020	2021	2022	2023	
Current assets		8,506,827	7,231,639	6,942,930	6,452,863	7,728,803	7,433,651
Property, Plant and Equipment (Note2)		521,495	445,732	445,373	444,037	521,299	512,281
Intangible assets		5,822	4,147	2,088	5,091	5,395	6,111
Other assets		483,160	645,995	411,096	423,124	492,612	505,953
Total assets		9,517,304	8,327,513	7,801,487	7,325,115	8,748,109	8,457,996
Current liabilities	Before distribution	4,630,827	2,489,135	2,216,974	1,836,832	3,169,253	2,980,663
	After distribution	4,630,827	2,489,135	2,216,974	1,836,832	(Note 6)	(Note 6)
Non-current liabilities		360,755	262,464	300,397	203,894	178,757	165,700
Total liabilities	Before distribution	4,991,582	2,751,599	2,517,371	2,040,726	3,348,010	3,146,363
	After distribution	4,991,582	2,751,599	2,517,371	2,040,726	(Note 6)	(Note 6)
Equity attributable to shareholders of the parent		4,269,624	5,322,268	5,284,116	5,284,389	5,400,099	5,311,633
Capital stock		4,475,274	4,475,274	4,922,802	4,922,802	4,922,802	4,922,802
Capital surplus		519	519	519	519	519	519
Retained earnings	Before distribution	(208,357)	799,673	324,836	340,219	403,009	303,676
	After distribution	(208,357)	799,673	324,836	340,219	(Note 6)	(Note 6)
Other equity interest		2,188	46,802	35,959	20,849	73,769	84,636
Treasury stock		-	-	-	-	-	-
Non-controlling interest		256,098	253,646	-	-	-	-
Total equity	Before distribution	4,525,722	5,575,914	5,284,116	5,284,389	5,400,099	5,311,633
	After distribution	4,525,722	5,575,914	5,284,116	5,284,389	(Note 6)	(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

<div> <div>Year</div> <div>Item</div> </div>		Financial Summary for The Last Five Years(Note 1)				
		2019	2020	2021	2022	2023
Current assets		7,384,359	5,633,474	5,494,359	5,021,791	6,282,047
Property, Plant and Equipment (Note 2)		300,604	232,100	238,999	244,921	329,441
Intangible assets		5,822	4,147	2,088	5,091	5,395
Other assets		1,055,321	2,199,843	2,063,544	2,043,557	2,110,759
Total assets		8,746,106	8,069,564	7,798,990	7,315,360	8,727,642
Current liabilities	Before distribution	4,115,482	2,484,532	2,214,177	1,831,382	3,151,007
	After distribution	4,115,482	2,484,532	2,214,177	1,831,382	(Note 6)
Non-current liabilities		361,000	262,764	300,697	199,589	176,536
Total liabilities	Before distribution	4,476,482	2,747,296	2,514,874	2,030,971	3,327,543
	After distribution	4,476,482	2,747,296	2,514,874	2,030,971	(Note 6)
Equity attributable to shareholders of the parent		-	-	-		-
Capital stock		4,475,274	4,475,274	4,922,802	4,922,802	4,922,802

Capital surplus		519	519	519	519	519
Retained earnings	Before distribution	(208,357)	799,673	324,836	340,219	403,009
	After distribution	(208,357)	799,673	324,836	340,219	(Note 6)
Other equity interest		2,188	46,802	35,959	20,849	73,769
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	4,269,624	5,322,268	5,284,116	5,284,389	5,400,099
	After distribution	4,269,624	5,322,268	5,284,116	5,284,389	(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 2023, 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	Financial Summary for The Last Five Years (Note 1)					As of the printing date of this annual report (Note 2)
	2019	2020	2021	2022	2023	
Operating revenue	4,282,904	7,159,730	3,607,070	4,625,514	5,346,121	1,501,698
Gross profit	172,789	1,891,615	307,922	219,925	317,463	69,413
Income from operations	6,944	1,149,068	70,662	30,089	44,688	(98,852)
Non-operating income & expenses	(9,026)	(83,845)	7,604	27,723	25,626	1,132
Income before tax	(2,082)	1,065,223	78,266	57,812	70,314	(97,720)
Continuing business unit Current net profit	(20,759)	1,007,121	34,287	10,762	67,324	(99,333)
Stop business unit loss	-	-	-	-	-	-
Net income (Loss)	(20,759)	1,007,121	34,287	10,762	67,324	(99,333)
Other comprehensive income (income after tax)	80,140	43,071	(14,507)	(10,489)	48,386	10,867
Total comprehensive income	59,381	1,050,192	19,780	273	115,710	(88,466)
Net income attributable to shareholders of the parent	(24,014)	1,009,573	35,181	10,762	67,324	(99,333)
Net income attributable to non-controlling interest	3,255	(2,452)	(894)	-	-	-
Comprehensive income attributable to Shareholders of the parent	56,126	1,052,644	20,674	273	115,710	(88,466)
Comprehensive income attributable to non-controlling interest	3,255	(2,452)	(894)	-	-	-
Earnings per share	(0.07)	2.05	0.07	0.02	0.14	(0.20)

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)				
	2019	2020	2021	2022	2023
Operating revenue	4,204,288	3,096,919	3,550,232	4,624,692	5,314,403
Gross profit	155,750	1,078,215	296,738	219,103	312,611
Income from operations	15,139	(1,806,849)	75,484	43,288	57,341
Non-operating income & expenses	(20,476)	2,819,375	3,618	14,524	12,973
Income before tax	(5,337)	1,012,526	79,102	57,812	70,314
Continuing business unit Current net profit	(24,014)	1,009,573	35,181	10,762	67,324
Stop business unit loss	-	-	-	-	-
Net income (Loss)	(24,014)	1,009,573	35,181	10,762	67,324
Other comprehensive income (income after tax)	80,140	43,071	(14,507)	(10,489)	48,386
Total comprehensive income	56,126	1,052,644	20,674	273	115,710
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	(0.07)	2.05	0.07	0.02	0.14

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 2023, so it is not applicable.

6.1.3 Auditors' Opinions from 2019 to 2023

Year	Accounting Firm	CPA		Audit Opinion
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
2023	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
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt Ratio	52.45	33.04	32.27	27.86	38.27	37.20
	Ratio of long-term capital to property, plant and equipment	937.01	1309.84	1253.90	1236.00	1070.18	1069.20
Solvency (%)	Current ratio	183.70	290.53	313.17	351.30	243.87	249.40
	Quick ratio	98.04	269.80	291.80	325.85	227.78	232.21
	Interest earned ratio (times)	0.94	27.62	12.94	6.61	5.27	(16.67)
Operating performance	Accounts receivable turnover (times)	6.07	28.71	34353.05	53.57	20.37	6.65
	Average collection period	60.13	12.71	0.01	6.81	17.92	54.89
	Inventory turnover (times)	0.98	11.17	7.49	10.55	11.59	3.18
	Accounts payable turnover (times)	3.00	4.74	3.55	4.85	4.66	1.17
	Average days in sales	372.45	32.68	48.73	34.60	31.49	114.78
	Property, plant and equipment turnover (times)	7.33	14.80	8.10	10.40	11.08	2.91
	Total assets turnover (times)	0.44	0.80	0.45	0.61	0.67	0.17
Profitability	Return on total assets (%)	0.10	11.65	0.49	0.25	1.00	(1.10)
	Return on stockholders' equity (%)	(0.5)	19.94	0.63	0.20	1.26	(1.85)
	Pre-tax income to paid-in capital (%)	(0.05)	23.80	1.59	1.17	1.43	(1.99)
	Profit ratio (%)	(0.48)	14.07	0.95	0.23	1.26	(6.61)
	Earnings per share (NT\$)	(0.07)	2.26	0.07	0.02	0.14	(0.20)
Cash flow	Cash flow ratio (%)	(0.98)	144.78	(7.38)	(12.15)	4.18	(10.40)
	Cash flow adequacy ratio (%)	(56.61)	135.97	114.77	117.39	377.19	598.71
	Cash reinvestment ratio (%)	(0.93)	60.98	(3.90)	(3.95)	2.30	(5.46)
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.00
	Financial leverage	(0.23)	1.04	1.10	1.52	1.58	0.95

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 increase in the ratio of liabilities to assets, the decrease in the current ratio and the decrease in the quick ratio: The main reasons are the prepayment income from new projects this year, the increase in investment costs during the peak period of the project and the increase in bank borrowings, which increased current liabilities and resulted in the ratio of liabilities to assets. Increase and decrease current ratio and quick ratio.

2. The interest coverage ratio decreased: This was due to the increase in borrowings this year and the increase in bank borrowing interest rates, which led to an increase in financial costs. This results in a reduction in the interest coverage ratio.

3. Decrease in the turnover rate of accounts receivable and increase in the average number of days to collect cash: The main reason is that some accounts receivable at the end of this year were not immediately recorded in the accounts and paid in the next month, resulting in a decrease in the turnover rate of accounts receivable.

4. Increase in return on assets, increase in return on equity, increase in the ratio of pre-tax net income to paid-in capital, increase in net profit margin and earnings per share: This is mainly due to the increase in revenue due to the addition of new projects this year and the peak period of some projects. Profit and loss increased. As a result, the return on assets, return on equity, ratio of pre-tax net income to paid-in capital, net profit margin and earnings per share all increased.

5. Increase in cash flow ratio, increase in cash flow adequacy ratio and increase in cash reinvestment ratio: The main reason is the increase in net cash inflow from operating activities due to prepayment income from new bid projects this year, resulting in an increase in cash flow ratio, increase in cash flow adequacy ratio and Cash reinvestment ratio increases.

Financial Analysis(parent company)

<div> <div>Year</div> <div>Item</div> </div>		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	51.18	34.05	32.25	27.76	38.13
	Ratio of long-term capital to property, plant and equipment	1540.44	2406.30	2336.75	2239.08	1692.76
Solvency (%)	Current ratio	179.43	226.74	248.14	274.21	199.37
	Quick ratio	176.16	225.95	246.96	273.15	198.46
	Interest earned ratio (times)	0.86	39.06	13.06	6.62	5.30
Operating performance	Accounts receivable turnover (times)	5.85	12.42		53.62	21.51
	Average collection period	62.39	29.39		6.81	16.97
	Inventory turnover (times)	2.56				
	Accounts payable turnover (times)	2.99	3.77	3.51	4.86	4.64
	Average days in sales	142.58				
	Property, plant and equipment turnover (times)	13.99	13.34	14.85	18.88	18.51
	Total assets turnover (times)	0.48	0.38	0.46	0.63	0.66
Profitability	Return on total assets (%)	0.06	12.26	0.51	0.25	1.00
	Return on stockholders' equity (%)	(0.61)	21.05	0.66	0.20	1.26
	Pre-tax income to paid-in capital (%)	(0.12)	22.62	1.61	1.17	1.43
	Profit ratio (%)	(0.57)	32.60	0.99	0.23	1.27
	Earnings per share (NT\$)	(0.07)	2.26	0.08	0.02	0.14
Cash flow	Cash flow ratio (%)	(1.37)	(10.44)	(9.67)	(11.39)	4.37
	Cash flow adequacy ratio (%)	(28.64)	14.36	(23.86)	(61.32)	(71.12)
	Cash reinvestment ratio (%)	(1.24)	(4.63)	(4.86)	(3.75)	2.41
Leverage	Operating leverage	0.82	1.00	0.97	1.00	1.00
	Financial leverage	(0.69)	0.99	1.10	1.31	1.40

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 increase in the ratio of liabilities to assets, the decrease in the current ratio and the decrease in the quick ratio: The main reasons are the prepayment income from new projects this year, the increase in investment costs during the peak period of the project and the increase in bank borrowings, which increased current liabilities and resulted in the ratio of liabilities to assets. Increase and decrease current ratio and quick ratio.
2. The decrease in the ratio of long-term funds to fixed assets: The main reason is the decrease in the ratio of long-term funds to fixed assets due to the purchase of large machinery and equipment this year in response to project needs.
3. Decrease in the turnover rate of accounts receivable and increase in the average number of days to collect cash: The main reason is that some accounts receivable at the end of this year were not immediately recorded in the account and paid in the next month, resulting in a decrease in the turnover rate of accounts receivable.
4. Increase in return on assets, increase in return on equity, increase in the ratio of pre-tax net income to paid-in capital, increase in net profit margin and earnings per share: This is mainly due to the increase in revenue due to the addition of new projects this year and the peak period of some projects. Profit and loss increased. As a result, the return on assets, return on equity, ratio of pre-tax net income to paid-in capital, net profit margin and earnings per share all increased.
5. The current cash flow ratio increased and the cash reinvestment ratio increased: The main reason was the increase in net cash inflow from operating activities caused by prepayment income from new bid projects this year, resulting in an increase in the cash flow ratio and cash reinvestment ratio.

6.3 Audit Committee's Report for the Most Recent Year

Review Report of Audit Committee

The Board of Directors has submitted the 2023 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 2024 General Meeting of Shareholders, Kung Sing Engineering Corporation

Audit Committee Convenor : Tu,yi- yang

Audit Committee : Chen, chin- yueh

Audit Committee : Chiang jung ch'ing

March 12th, 2024

Review Report of Audit Committee

The Board of Directors has submitted the 2023 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 2024 General Meeting of Shareholders, Kung Sing Engineering Corporation

Audit Committee Convenor : Tu,yi- yang

Audit Committee : Chen, chin- yueh

Audit Committee : Chiang jung ch'ing

May 10th, 2024

6.4 Financial statements as of 2023 and 31 December 2022 and consolidated audit reports

Please refer to page 194-265

6.5 Financial Statements for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report

Please refer to page 266-334

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	2023	2022	Difference	
			Amount	%
Current Assets	7,728,803	6,452,863	1,275,940	19.77
Fixed Assets	521,299	444,037	77,262	17.40
Other Assets	498,007	428,215	69,792	16.30
Total Assets	8,748,109	7,325,115	1,422,994	19.43
Current Liabilities	3,169,253	1,836,832	1,332,421	72.54
Long-term Liabilities	178,757	203,894	(25,137)	(12.33)
Total Liabilities	3,348,010	2,040,726	1,307,284	64.06
Capital stock	4,922,802	4,922,802	0	0.00
Capital surplus	519	519	0	0.00
Retained Earnings	403,009	340,219	62,790	18.46
Other Adjustments	73,769	20,849	52,920	253.83
Attributable to the owners of the parent company	5,400,099	5,284,389	115,710	2.19
Total Stockholders' Equity	5,400,099	5,284,389	115,710	2.19
Analysis of changes in financial ratios:				
1. The increase in current liabilities and total liabilities: Mainly due to the increase in prepayment income from new bid projects this year, the increase in investment costs due to the peak period of some projects, and the increase in bank borrowings, thus increasing current liabilities and total liabilities.				
2. Increase in other equity: Mainly due to the increase in other equity due to the increase in the evaluation market value of financial assets.				

7.2 Analysis of Financial Performance

A. Business results comparison analysis table

Unit: NT\$ thousands

Item \ Year	2023	2022	Difference	
			Amount	%
Gross Sales	5,346,121	4,625,514	720,607	15.58
Operating cost	(5,028,658)	(4,405,589)	(623,069)	14.14
Operating margin	317,463	219,925	97,538	44.35
Operating expenses	(272,775)	(189,836)	(82,939)	43.69
Operating profit	44,688	30,089	14,599	48.52
Operating income and expenses	25,626	27,723	(2,097)	(7.56)
Pre-tax net profit	70,314	57,812	12,502	21.63
Income tax expense	(2,990)	(47,050)	44,060	(93.65)
The current net profit	67,324	10,762	56,562	525.57
This issue other comprehensive income net of tax	48,386	(10,489)	58,875	(561.30)
Issue comprehensive income	115,710	273	115,437	42,284.62
Net profit attributable to owners of the parent company	67,324	10,762	56,562	525.57
Comprehensive profit attributable to owners of the parent company	115,710	273	115,437	42,284.62

Analysis of changes in financial ratios:

1. Operating gross profit, operating net profit, pre-tax net profit, income tax expenses, net profit for the current period and net profit attributable to owners of the parent company all increased: Mainly because some projects with higher gross profit margins this year have entered their peak period, resulting in this year's operating gross profit, operating net profit, Net profit before tax, income tax expenses and net profit after tax all increased.
2. Increase in operating expenses: Mainly due to the recognition of losses due to litigation this year, resulting in an increase in operating expenses.
3. The increase in other comprehensive profits and losses after tax for the year, the increase in comprehensive profits and losses for the year, and the comprehensive profits and losses attributed to the owners of the parent company are mainly due to the increase in the market value of financial assets evaluation.

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: inflow \$132,527
2. Investing activities: outflow \$945,859
3. Financing activities: inflow \$ 398,338

Description:

1. Net cash inflow from operating activities this year: Mainly due to the increase in prepayments for owner projects for large-scale newly won bids, resulting in an increase in capital inflow.
2. Net cash outflow from investing activities this year: Mainly due to the increase in project deposit pledge deposits for newly won bids, resulting in an increase in capital outflows.
3. Net cash inflow from financing activities this year: Mainly due to bank working capital borrowings.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2023	2022	Variance (%)
Cash Flow Ratio (%)	4.18%	(12.15%)	16.33%
Cash Flow Adequacy Ratio (%)	377.19%	117.39%	259.80%
Cash Reinvestment Ratio (%)	2.30%	(3.95%)	6.25%
Analysis of the change in increase and decrease ratio: Cash flow admissible ratio: Mainly due to the increase in owner project advance payments for large-scale newly won bids, the cash flow adequacy ratio increased.			

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
1,466,250	859,438	(875,663)	1,450,025	-	-

1. Analysis of expected cash flow changes in 2024:

(1) Business activities:

The net cash inflow from operating activities is expected to be mainly due to the peak period

of larger projects and the recording of advance payments from owners of large new tenders, which will result in an increase in cash inflow.

(2) Investment and financing activities:

This is mainly due to the increase in project deposit pledge deposits for large-scale newly won bids, resulting in expected net cash outflows 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 2023 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 2023, the interest expenses of the Company represented 0.31% 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

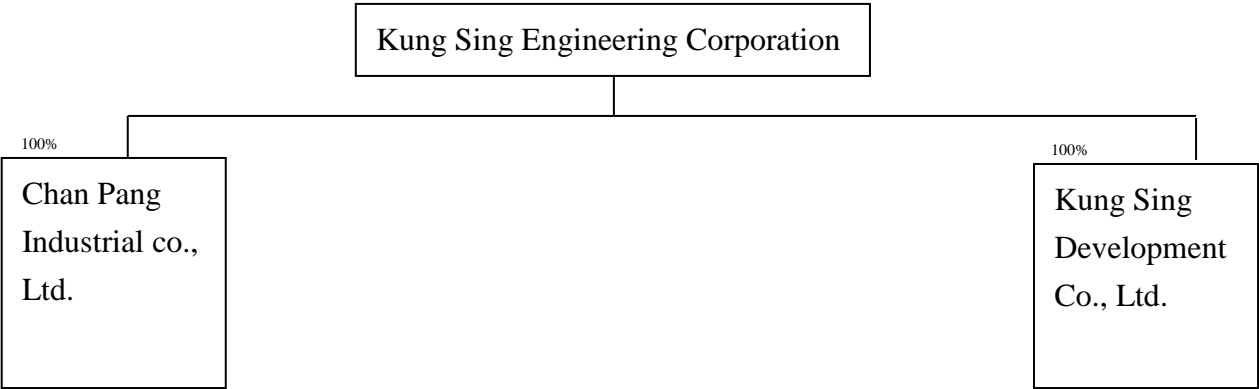
7.7. Other important matters : None

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:

2023.12.31 ; 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	8F., No.102, Sec. 4, Civic Blvd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	\$ 590,000	Construction and development of buildings and houses
Kung Sing Development Co., Ltd.	2010.08.25	12F., No.100, Sec. 4, Civic Blvd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	\$ 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 the same shareholders who are presumed to have control and ownership: None.

D. The industry covered by the business of the overall related enterprise, and explain the division of labor between them: same as B

E. 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

F. Overview of the operations of various related companies:

2023.12.31 ; 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	833,463	4,495	828,968	-	(3,344)	4,398	0.07
Kung Sing Development Co., Ltd.	700,000	645,956	16,272	629,684	31,718	4,852	(1,692)	(0.03)

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 194.

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, 2023, 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, 2023.

Hereby certify

Company: Kung Sing Engineering Corporation

Principal: Chen, huang-ming

March 12, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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 (26) 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 (21) for the contract assets and liabilities of the Group were respectively NT\$2,043,153(thousand) and NT\$744,957(thousand) at December 31, 2023.

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 (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 (28) for the deferred tax assets of the Group were NT\$40,293(thousand) at December 31, 2023. 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, 2023 and 2022, 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\$645,956 thousand and NT\$634,666 thousand, constituting of 7.4% and 8.7% of consolidated total assets at December 31, 2023 and 2022, respectively, and the net operating revenue amounted to NT\$31,718 thousand and NT\$822 thousand, constituting of 0.59% and 0.02% 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, 2023 and 2022.

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 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 12, 2024

Kung Sing Engineering Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

		<u>December 31, 2023</u>		<u>December 31, 2022</u>	
<u>Assets</u>	<u>Note</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets					
1100 Cash and cash equivalents	6(1)	\$ 1,466,250	17	\$ 1,881,244	26
1110 Financial assets at fair value through profit or loss - current	6(2)	18,825	-	20,366	-
1136 Financial assets at amortised cost - current	6(3),8	2,672,274	30	1,795,506	25
1140 Contract assets-current	6(21)	2,043,153	23	1,405,840	19
1170 Accounts receivable, net	6(4)	352,459	4	172,494	2
1200 Other receivables	7	54,268	1	95,474	1
1220 Current tax assets		1,374	-	129	-
130X Inventories	6(5)	450,150	5	417,712	6
1410 Prepayments		59,717	1	49,841	1
1479 Other current assets-other Fulfilling contract cost-net	8	65,600	1	21,000	-
1482 current	6(6)	<u>544,733</u>	<u>6</u>	<u>593,257</u>	<u>8</u>
11XX Total current assets		<u>7,728,803</u>	<u>88</u>	<u>6,452,863</u>	<u>88</u>
Non-current assets					
1517 Financial assets at fair value through other comprehensive income-non-current	6(7) 6(8),	130,265	2	77,345	1
1600 Property, plant and equipment	8	521,299	6	444,037	6
1755 Right-of-use assets	6(9) 6(10),	97,017	1	41,055	1
1760 Investment property, net	8	153,319	2	155,060	2
1780 Intangible assets		5,395	-	5,091	-
1840 Deferred income tax assets	6(28)	40,293	-	41,788	1
1900 Other non-current assets	6(11)	<u>71,718</u>	<u>1</u>	<u>107,876</u>	<u>1</u>
15XX Total non-current assets		<u>1,019,306</u>	<u>12</u>	<u>872,252</u>	<u>12</u>
1XXX Total assets		<u>\$ 8,748,109</u>	<u>100</u>	<u>\$ 7,325,115</u>	<u>100</u>

(Continued)

Kung Sing Engineering Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 660,000	8	\$ 310,000	4
2130	Contract liabilities-current	6(21)	744,957	8	200,838	3
2150	Notes payable		374,238	4	437,835	6
2170	Accounts payable	6(13)	853,221	10	495,027	7
2200	Other payables		62,082	1	41,999	-
2230	Current income tax liabilities		-	-	1,005	-
2250	Provisions for liabilities-current	6(16)	69,088	1	43,416	1
2280	Lease liabilities-current		25,962	-	14,541	-
2300	Other current liabilities	6(14),7	379,705	4	292,171	4
21XX	Total current liabilities		3,169,253	36	1,836,832	25
Non-current liabilities						
2540	Long-term borrowings	6(15)	57,596	1	62,556	1
2550	Provisions for liabilities-non-current	6(16)	6,210	-	75,041	1
2570	Deferred income tax liabilities	6(28)	-	-	332	-
2580	Lease liabilities-non-current		72,034	1	27,190	-
2600	Other non-current liabilities	6(17)	42,917	-	38,775	1
25XX	Total non-current liabilities		178,757	2	203,894	3
2XXX	Total liabilities		3,348,010	38	2,040,726	28
Equity						
	Share capital	6(18)				
3110	Common stock		4,922,802	56	4,922,802	67
	Capital surplus	6(19)				
3200	Capital surplus		519	-	519	-
	Retained earnings	6(20)				
3310	statutory surplus reserve		84,592	1	83,054	1
3350	Undistributed earnings		318,417	4	257,165	4
	Other equity	6(7)				
3400	Other equity		73,769	-	20,849	-
31XX	Total equity attributable to owners of the parent		5,400,099	62	5,284,389	72
3XXX	Total equity		5,400,099	62	5,284,389	72
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	Total liabilities and equity		\$ 8,748,109	100	\$ 7,325,115	100

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, 2023 and 2022

(Expressed in thousands of New Taiwan dollars, except losses per share amounts)

Items	Note	Years ended December 31			
		2023		2022	
		Account	%	Account	%
4000 Operating revenue	6(21)	\$ 5,346,121	100	\$ 4,625,514	100
5000 Operating cost	6(26)(27)	(5,028,658)	(94)	(4,405,589)	(95)
5900 Gross profit		317,463	6	219,925	5
Operating expenses	6(26)(27)				
6100 Selling expenses		(1,417)	-	(2,020)	-
6200 General and administrative expenses		(187,476)	(3)	(173,616)	(4)
6450 Expected credit impairment loss	6(21),12(2)	(83,882)	(2)	(14,200)	-
6000 Total operating expenses		(272,775)	(5)	(189,836)	(4)
6900 Operating income		44,688	1	30,089	1
Non-operating income and expenses					
7100 Interest income	6(22)	20,714	-	31,957	-
7010 Other income	6(23)	27,327	-	18,019	-
7020 Other gains and losses	6(24)	(5,967)	-	(11,955)	-
7050 Financial costs	6(25)	(16,448)	-	(10,298)	-
7000 Total non-operating income and expenses		25,626	-	27,723	-
7900 Net profit (loss) before tax		70,314	1	57,812	1
7950 Income tax expenses	6(28)	(2,990)	-	(47,050)	(1)
8200 Net profit (loss) for the period		\$ 67,324	1	\$ 10,762	-
Other comprehensive income, net					
Components of other comprehensive					
income that will not be reclassified to profit					
or loss					
8311 Remeasurements of defined benefit plans	6(17)	(\$ 5,667)	-	\$ 5,776	-
Unrealized gains and losses from					
investments in equity instruments					
measured at fair value through other					
8316 comprehensive income	6(7)	52,920	1	(15,110)	-
Income tax of related to components of					
other comprehensive income that will not					
8349 be reclassified to profit or loss	6(28)	1,133	-	(1,155)	-
8300 Other comprehensive income (net)		\$ 48,386	1	(\$ 10,489)	-
8500 Total comprehensive income for the period		\$ 115,710	2	\$ 273	1
Net profit (loss) attributable to:					
9750 Basic earnings (losses) per share	6(29)	\$ 0.14		\$ 0.02	
9850 Diluted earnings (losses) per share	6(29)	\$ 0.14		\$ 0.02	

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, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

		Retained earnings				Unrealized gains and losses from	
	Note	Common stock	other	statutory surplus reserve	Undistributed earnings	finical assets at fair value through other comprehensive income	Total equity
<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	6(7)	-	-	-	4,621	(15,110)	(10,489)
Total comprehensive income for the period		-	-	-	15,383	(15,110)	273
Earnings Appropriation and Distribution:	6(20)						
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>
<u>For the year ended December 31, 2023</u>							
Balance at January 1, 2023		\$ 4,922,802	\$ 519	\$ 83,054	\$ 257,165	\$ 20,849	\$ 5,284,389
Net profit for the period		-	-	-	67,324	-	67,324
Other comprehensive income for the period	6(7)	-	-	-	(4,534)	52,920	48,386
Total comprehensive income for the period		-	-	-	62,790	52,920	115,710
Earnings Appropriation and Distribution:	6(20)						
Appropriation of statutory surplus reserve		-	-	1,538	(1,538)	-	-
Balance at December 31, 2023		<u>\$ 4,922,802</u>	<u>\$ 519</u>	<u>\$ 84,592</u>	<u>\$ 318,417</u>	<u>\$ 73,769</u>	<u>\$ 5,400,099</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, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

	Note	For the years ended December 31	
		2023	2022
<u>Cash Flows from Operating Activities</u>			
Net profit before tax		\$ 70,314	\$ 57,812
Adjustments			
Adjustments to reconcile profit			
Valuation of losses on financial assets at fair value through profit or loss	6(24)	484	9,077
Depreciation (including right-of-use assets and investment property)	6(24)(26)	51,525	36,748
Amortization	6(26)	2,168	2,000
Expected credit impairment loss	12(2)	83,882	14,200
Interest expense	6(25)	16,448	10,298
Interest income	6(22)	(20,714)	(31,957)
Dividend income	6(23)	(13,793)	(8,727)
Impairment loss on property, plant and equipment	6(24)	3,634	1,919
Gains on rent concessions	6(23)	-	(180)
Lease Modification Benefit	6(24)	-	(34)
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets		(721,195)	393,993
Accounts receivable		(179,965)	(172,284)
Other receivables		9,411	(9,111)
Inventories		(286)	-
Prepayments		(9,882)	6,356
Other current assets		(44,600)	-
Cost of fulfilling contracts		48,524	(27,492)
net defined benefit assets		1,662	
Net changes in operating liabilities			
Contract liabilities		544,119	(578,976)
Notes payable		(68,457)	185,750
Accounts payable		358,194	(138,627)
Other payables		19,658	4,616
Provisions for liabilities		(43,159)	1,031
Other current liabilities		14,610	227
Net defined benefit liabilities		(5,244)	(3,543)
Cash inflow (outflow) from operations		117,338	(246,904)
Interest received		20,357	31,937
Interest paid		(16,023)	(9,688)
Dividend received		13,793	8,727
Income tax paid		(2,938)	(11,077)
Income tax refunded		-	3,817
Cash inflow (outflow) from operating activities		132,527	(223,188)

(Continued)

Kung Sing Engineering Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2023	2022
<u>Cash Flows From Investing Activities</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 4,150)	(\$ 52,945)
Disposal of financial assets at fair value through profit or loss		5,207	23,502
To acquire financial assets at amortised cost		(3,010,752)	(2,311,687)
Disposal of financial assets acquired at amortized cost		2,133,984	2,804,965
Proceeds from acquisition of property, plant and equipment	6(30)	(77,587)	(45,627)
Proceeds from acquisition of intangible assets	6(30)	(2,457)	(3,391)
Margin deposits increase		(50,370)	(181,709)
Margin deposits decrease		60,266	130,866
Price of disposal of non-current assets to be sold	6(10)	-	25,153
Net cash inflows (outflows) from investing activities		(945,859)	389,127
<u>Cash Flows From Financing Activities</u>			
Borrow short-term borrowings	6(31)	1,610,000	880,000
Repayment of short-term borrowings	6(31)	(1,260,000)	(960,000)
Borrow long-term borrowings	6(31)	370,000	70,611
Repayment of long-term borrowings	6(31)	(302,522)	(75,500)
Increase in deposits received	6(31)	22,496	340,952
Decrease in deposits received	6(31)	(18,291)	(190,231)
Lease liability principal payments	6(31)	(23,345)	(14,415)
Net cash inflows from financing activities		398,338	51,417
Increase (Decrease) in cash and cash equivalents for the period		(414,994)	217,356
Cash and cash equivalents balance at beginning of the period		1,881,244	1,663,888
Cash and cash equivalents balance at end of the period		\$ 1,466,250	\$ 1,881,244

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, 2023 and 2022

(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 12, 2024.

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 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, " Disclosure of accounting policies"	January 1, 2023
Amendments to IAS 8, " Definition of accounting estimate"	January 1, 2023
Amendments to IAS 12, "Deferred income tax relating to assets and liabilities arising from a single transaction"	January 1, 2023
Amendments to IAS 12, "International Tax Reform - Pillar 2 Rules Model"	May 23, 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.

(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 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 16, "Lease liabilities in sale and leaseback"	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, "Supplier Financing Arrangements"	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.

(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
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 21, "Lack of convertibility"	January 1, 2025

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. The defined benefit assets or liabilities are recognized as the net amount of the pension plan assets minus the present value of the defined benefit obligations.
- 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, 2023	December 31, 2022	
The Company	Chan Pang	Houses and buildings	100	100	
	Industrial Co., Ltd.	development, leasing and investment			
As above	Kung Sing	Houses and buildings	100	100	
	Development Co., Ltd.	development, leasing and investment			

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) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) 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.

(13) 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.

(14) 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	10-53 years
Machine equipment	3-7 years
Transportation Equipment	2-6 years
Other equipment	3-9 years

(15) 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.

(16) 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.

(17) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3-5 years.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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. Using the balance sheet liability method, deferred income tax is recognized based on the temporary differences between the tax basis of assets and liabilities and their book values in the consolidated balance sheet. If deferred income tax arises from goodwill or from the initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss at the time of the transaction, nor does it result in an equivalent taxable and Temporary differences can be deducted and are not accounted for. Deferred income tax is provided for temporary differences arising from investments in subsidiaries, unless the Group is able to control the timing of the reversal of the temporary difference and it is likely that the temporary difference will not be reversed in the foreseeable future. Deferred income taxes are determined using tax rates (and laws) that have been enacted or substantively enacted as of the balance sheet date and are expected to be applicable when the related deferred income tax assets are realized or the deferred income tax liabilities are 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.

(25) 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.

(26) 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.

(27) 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 (21).

(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, 2023, the deferred income tax assets recognized by the Group amounted to NT\$40,293.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Check deposits and demand deposits	\$ 1,459,076	\$ 1,868,324
Cash on hand and revolving funds	7,174	12,920
	<u>\$ 1,466,250</u>	<u>\$ 1,881,244</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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets mandated to be measured at fair value through profit or loss		
Listed company stocks	\$ 29,597	\$ 30,793
Rating adjustment	(10,772)	(10,427)
	<u>\$ 18,825</u>	<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 2023 and 2022 are NT\$3,422 and NT(\$6,961) respectively.
- 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, 2023</u>	<u>December 31, 2022</u>
Reserve account deposits	\$ 2,520,675	\$ 1,570,091
pledged time deposit	151,599	225,415
	<u>\$ 2,672,274</u>	<u>\$ 1,795,506</u>

- A. The breakdown of financial assets measured at amortised cost recognised in profit or loss is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
interest income	<u>\$ 10,834</u>	<u>\$ 3,187</u>

- 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) Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Project receivables	<u>\$ 352,459</u>	<u>\$ 172,494</u>

- A. The company's project receivables are from government units, public enterprises, private institutions and other institutions. The receivables are not overdue or impaired. For information on the credit risk of accounts receivable, please refer to Note 12(2).

- B. The accounts receivable balances on December 31, 2023 and December 31, 2022 are all arising from customer contracts. In addition, the accounts receivable under customer contracts on January 1, 2022 is NT\$210.

(5) Inventory

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings and land held for sale	\$ 319,645	\$ 352,392
Construction in progress	130,505	65,320
	<u>\$ 450,150</u>	<u>\$ 417,712</u>

- A. The Group's inventory costs recognized as expense losses in 2023 and 2022 are both NT\$0.
- B. For information on the guarantee provided by the Group's inventory, please refer to Note 8 for details.

(6) Cost of fulfilling contracts

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayment for materials and construction	\$ 463,437	\$ 514,827
Prepayment for construction insurance	81,296	78,430
	<u>\$ 544,733</u>	<u>\$ 593,257</u>

(7) Financial assets at fair value through other comprehensive income–non-current

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity instruments		
Non-listed stocks	\$ 56,496	\$ 56,496
Valuation adjustments	73,769	20,849
	<u>\$ 130,265</u>	<u>\$ 77,345</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, 2023 and 2022 were NT\$130,265 and NT\$77,345, respectively.
- B. 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>2023</u>	<u>2022</u>
Fair value change recognized in other comprehensive income	<u>\$ 52,920</u>	<u>(\$ 15,110)</u>
Dividend profit recognized in profit or loss held at end of period	<u>\$ 9,887</u>	<u>\$ 6,611</u>

- C. The credit risk related information of the financial assets at fair value through other comprehensive income is described in Note 12 (2).

(8) Property, Plant and Equipment

	2023				
	Land	Buildings and structures	Machinery equipment	Transport and other equipment	Total
January 1					
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>
January 1	\$ 263,504	\$ 144,111	\$ 7,730	\$ 28,692	\$ 444,037
Additions	-	-	65,696	16,751	82,447
Transfer of prepaid equipment payment	-	-	24,585	-	24,585
Depreciation expense	-	(9,604)	(8,054)	(8,478)	(26,136)
Impairment losses	(2,658)	(976)	-	-	(3,634)
Disposition-Cost	-	-	(780)	(2,826)	(3,606)
Disposition - Depreciation	-	-	780	2,826	3,606
December 31	<u>\$ 260,846</u>	<u>\$ 133,531</u>	<u>\$ 89,957</u>	<u>\$ 36,965</u>	<u>\$ 521,299</u>
December 31					
Cost	\$ 342,826	\$ 248,741	\$ 105,821	\$ 58,255	\$ 755,643
Accumulated depreciation and impairment	(81,980)	(115,210)	(15,864)	(21,290)	(234,344)
	<u>\$ 260,846</u>	<u>\$ 133,531</u>	<u>\$ 89,957</u>	<u>\$ 36,965</u>	<u>\$ 521,299</u>
	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>

- A. The Group refers to the evaluation results of independent evaluation experts and uses fair value as the recoverable amount for impairment testing. Since the estimated recoverable amount of some land, buildings and buildings in 2023 and 2022 is less than the book value, impairment losses are recognized and calculated separately. NT\$3,634 and NT\$1,919.
- 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, 2023</u>	<u>December 31, 2022</u>
Income capitalization rate	1.68%	1.79%

- C. Please refer to Note 8 for the information on the Group's collateral provided by property, plant and equipment.

(9) Leasing arrangements — lessee

- A. The Group leases various assets, including lands, buildings and transportation equipment. Lease contracts are typically made for periods of 2-10 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:

<u>2023</u>				
	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
January 1	\$ 19,070	\$ 9,714	\$ 12,271	\$ 41,055
Additions	13,426	65,056	1,128	79,610
Depreciation expense	(13,395)	(5,585)	(4,668)	(23,648)
December 31	<u>\$ 19,101</u>	<u>\$ 69,185</u>	<u>\$ 8,731</u>	<u>\$ 97,017</u>
<u>2022</u>				
	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
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	<u>\$ 19,070</u>	<u>\$ 9,714</u>	<u>\$ 12,271</u>	<u>\$ 41,055</u>

- D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
<u>Items affect profit or loss for the period</u>		
Interest expense on lease liabilities	\$ 1,225	\$ 721
Expense on short-term low-value assets lease contracts	6,885 63	4,214 28
Lease Modification Benefit	-	34

- E. The Group's total lease cash outflows for the years ended December 31, 2023 and 2022 were NT\$31,518 and NT\$19,378, 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 2023 and 2022 at NT\$0 and NT\$180, respectively.

(10) Investment property

	2023		
	Land	Buildings and structures	Total
January 1			
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>
January 1	\$ 115,734	\$ 39,326	\$ 155,060
Depreciation expense	-	(1,741)	(1,741)
December 31	<u>\$ 115,734</u>	<u>\$ 37,585</u>	<u>\$ 153,319</u>
December 31			
Cost	\$ 115,734	\$ 115,202	\$ 230,936
Accumulated depreciation and impairment	-	(77,617)	(77,617)
	<u>\$ 115,734</u>	<u>\$ 37,585</u>	<u>\$ 153,319</u>

	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>

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:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Rental income from investment property	<u>\$ 2,552</u>	<u>\$ 2,370</u>
Direct operating expense arising from the investment property that generated rental income in the period	<u>\$ 1,884</u>	<u>\$ 2,018</u>
Direct operating expense arising from the investment property that did not generate rental income in the period	<u>\$ 155</u>	<u>\$ 170</u>

C. The analysis of the maturity date of the lease payments leased out by the Group under operating leases is as follows:

	2023	2022
Within a year	\$ 150	\$ 3,103
Two to five years	-	1,550
	<u>\$ 150</u>	<u>\$ 4,653</u>

D. The fair value of the investment property held by the Group at December 31, 2023 and 2022 were NT\$330,288 and NT\$314,290, 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, 2023</u>	<u>December 31, 2022</u>
Income capitalization rate	1.63%-2.01%	1.77%-1.82%

- E. Please refer to Note 8 for the information on the Group's collateral provided by investment property.

(11) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Refundable deposits	\$ 71,718	\$ 81,614
prepaid equipment	-	24,585
Net defined benefit assets	-	1,662
Others	-	15
	<u>\$ 71,718</u>	<u>\$ 107,876</u>

(12) Short-term borrowings

<u>Type</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Secured borrowings	\$ 660,000	\$ 160,000
Unsecured borrowings	-	150,000
	<u>\$ 660,000</u>	<u>\$ 310,000</u>
Interest rate range	1.98%~2.38%	1.90%~2.04%

Please refer to Note 8 for details of the pledge collateral of short-term borrowings.

(13) Accounts payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Project payment payable	\$ 506,191	\$ 139,366
Project retainage payable	346,503	355,115
accounts payable	527	546
	<u>\$ 853,221</u>	<u>\$ 495,027</u>

(14) Other current liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deposits received	\$ 186,689	\$ 186,203
Long-term borrowings due within one year	177,550	105,112
Receipts under custody	15,148	522
Others	318	334
	<u>\$ 379,705</u>	<u>\$ 292,171</u>

(15) Long-term borrowings

Type of borrowings	Repayment period	December 31, 2023	December 31, 2022
	Amortized from		
Medium-term secured borrowings	2022 to 2027	\$ 62,653	\$ 67,668
	After the project remittance ratio reaches 20%, it will be repaid in installments according to 30% of the project payment for each phase	164,970	100,000
Medium-term secured borrowings	Repayable in installments based on 15% of each project payment	7,523	-
Subtotal		235,146	167,668
Deduct: due within one year (recognized in "Other current liabilities")		(177,550)	(105,112)
		\$ 57,596	\$ 62,556
Interest rate range		1.98%~2.50%	1.86%~2.38%

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. The Group will consider the future funding needs of KSC067 and write off the remaining unspent borrowing line in the third quarter of 2023.

B. KSC078 joint loan case

- a. On November 16, 2023, the company signed a joint credit agreement with six financial institutions including Taipei Fubon Commercial Bank and Taiwan

Cooperative Bank for long-term unsecured joint lending, project performance bond and project prepayment repayment guarantee, with a total amount of NT\$3,200,000. On January 19, 2033, 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\$4,000,000

b. As of December 31, 2023, the undrawn loan amount for this joint loan case was NT\$700,000, and the undrawn guarantee amount was NT\$979,823.

C. As of December 31, 2023, In addition to the above-mentioned KCS078 joint loan case, the unutilized loan amount of the Company is NT\$440,000.

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.

(16) Provisions for liabilities

	2023		
	Warranty	Engineering loss	Total
January 1	\$ 118,457	\$ -	\$ 118,457
Additions in the period	6,677	-	6,677
Used and reversed in the period	(49,836)	-	(49,836)
December 31	\$ 75,298	\$ -	\$ 75,298
Recognized as:			
Provisions for liabilities-current	\$ 69,088	-	\$ 69,088
Provisions for liabilities-non-current	\$ 6,210	-	\$ 6,210

	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	\$ 118,457	\$ -	\$ 118,457
Recognized as:			
Provisions for liabilities-current	\$ 43,416	-	\$ 43,416
Provisions for liabilities-non-current	\$ 75,041	-	\$ 75,041

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 2024 to 2027.

B. 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.

(17) Net defined benefit liability

A. Defined 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, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	(\$ 72,044)	(\$ 68,908)
Fair value of plan assets	<u>71,621</u>	<u>70,570</u>
Net defined benefit liability	<u>(\$ 423)</u>	<u>\$ 1,662</u>

c. Changes in net defined benefit liability

	<u>2023</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	(\$ 68,908)	\$ 70,570	\$ 1,662
Service cost for the period	(220)	-	(220)
Interest income (expense)	<u>(802)</u>	<u>828</u>	<u>26</u>
	<u>(69,930)</u>	<u>71,398</u>	<u>1,468</u>
Remeasurements:			
Return on plan assets	-	673	673
Changes in financial assumptions	(220)	-	(220)

Experience adjustments	(6,120)	-	(6,120)
	(6,340)	673	(5,667)
Pension fund contribution	-	3,776	3,776
Pay pension	4,226	(4,226)	-
Balance, December 31	(\$ 72,044)	\$ 71,621	(\$ 423)
	2022		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
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	498	-	498
	(69,964)	62,441	(7,523)
Remeasurements:			
Return on plan assets	-	4,720	4,720
Changes in financial assumptions	2,709	-	2,709
Experience adjustments	(1,653)	-	(1,653)
	1,056	4,720	5,776
Pension fund contribution	-	3,409	3,409
Balance, December 31	(\$ 68,908)	\$ 70,570	\$ 1,662

- 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, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

e. The principal actuarial assumptions used are as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Discount rate	1.15%	1.20%
Future salary increase rate	2.00%	2.00%

- (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 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,087)</u>	<u>\$ 1,115</u>	<u>\$ 1,103</u>	<u>(\$ 1,081)</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>

- 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, 2024 is NT\$1,017.

g. As of December 31, 2023, 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	\$	8,050
1-2 years		10,957
2-5 years		14,098
Beyond 5 years		43,927
	<u>\$</u>	<u>77,032</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, 2023 and 2022 were NT\$8,935 and NT\$7,862, respectively

(18) Common stock

- A. As of December 31, 2023 and 2022, 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. The number of outstanding shares of the company's common stock at the beginning and end of the period was both 492,280,000 shares.

(19) 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.

(20) 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 27, 2023 and July 29, 2022, the profit distribution proposals for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Appropriation of statutory surplus reserve	\$ 1,538	\$ 3,087

- a. 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 12, 2024, the company's 2023 profit distribution proposal has not been resolved by the board of directors.

(21) 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

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Over time	<u>\$ 5,346,121</u>	<u>\$ 4,625,514</u>

B. Contract assets and liabilities

The Group recognized the following customer contract revenue-related contract assets and liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract assets:		
Engineering construction contract	\$ 2,067,990	\$ 1,462,270
Project retention receivables	538,723	423,248
Deduct: allowance for loss	(563,560)	(479,678)
	<u>\$ 2,043,153</u>	<u>\$ 1,405,840</u>
Contract liabilities :		
Construction contract	<u>\$ 744,957</u>	<u>\$ 200,838</u>

- (a) The expected recovery situation of project retention derives from construction contracts as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
2023	\$ -	\$ 105,625
2024	-	-
After 2025 (inclusive)	<u>538,723</u>	<u>317,623</u>
	<u>\$ 538,723</u>	<u>\$ 423,248</u>

- (b) The Group's contract assets and liabilities change over time with the contraction performance obligations and timing of customer payment. In 2023 and 2022, 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\$83,882 and NT\$14,200

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, 2022 is NT\$779,814, and the initial contract bond. The government subscription deposits in 2023 and 2022 are NT\$200,838 and NT\$779,814 respectively.

(d) Transaction price to non-performance obligation
As of December 31, 2023, the total amount of the transaction price to non-performance obligation was NT\$35,062,332. The Company will gradually recognize revenue as the completion of the construction projects. The projects will be completed from 2025 to 2032.

(e) Please refer to Note 12 (2) for details of the contract assets credit risk.

(22) Interest income

	For the year ended December 31 , 2023	For the year ended December 31 , 2022
Interest income from bank deposits	\$ 8,953	\$ 2,441
Interest income from financial assets measured at amortised cost	10,834	3,187
Deferred interest income	767	26,299
Other interest income	160	30
	<u>\$ 20,714</u>	<u>\$ 31,957</u>

(23) Other income

	For the year ended December 31 , 2023	For the year ended December 31 , 2022
Dividend income	\$ 13,793	\$ 8,727
Rental income	7,503	6,964
Repair income	2,116	-
Litigation compensation income	1,599	-
Gains on rent concessions	-	180
Others	2,316	2,148
	<u>\$ 27,327</u>	<u>\$ 18,019</u>

(24) Other gains and losses

	For the year ended December 31 , 2023	For the year ended December 31 , 2022
Impairment losses on property, plant and equipment	(\$ 3,634)	(\$ 1,919)
Investment property depreciation expense	(1,741)	(1,741)
Losses on financial assets at fair value through profit or loss	(484)	(9,077)

Gains on foreign exchange, net	306	1,012
Lease Modification Benefit	-	34
Others	(414)	(264)
	<u>(\$ 5,967)</u>	<u>(\$ 11,955)</u>

(25) Financial cost

	<u>For the year ended December 31 , 2023</u>	<u>For the year ended December 31 , 2022</u>
Interest expense:		
Bank loan	\$ 15,211	\$ 9,575
Interest expense on lease liabilities	1,225	721
Others	<u>12</u>	<u>2</u>
	<u>\$ 16,448</u>	<u>\$ 10,298</u>

(26) Additional information on the nature of expenses

	<u>For the year ended December 31 , 2023</u>	<u>For the year ended December 31 , 2022</u>
Engineering cost	\$ 4,667,716	\$ 4,140,780
Employee benefit expense	406,075	304,517
Depreciation of property, plant and equipment	26,136	20,459
Depreciation expense of right-of-use assets	23,648	14,548
Amortization expense of intangible assets	<u>2,168</u>	<u>2,000</u>
	<u>\$ 5,125,743</u>	<u>\$ 4,482,304</u>

(27) Employee benefit expense

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Wages and salaries	\$ 345,775	\$ 256,795
Labor and health insurance fees	33,765	24,838
Pension costs	9,129	7,728
Directors' remunerations	2,225	2,285
Other personnel expenses	<u>15,181</u>	<u>12,871</u>
	<u>\$ 406,075</u>	<u>\$ 304,517</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 estimated employee compensation amounts for the years ending December 31, 2023 and 2022 are NT\$3,282 and NT\$3,043 respectively; the estimated amounts of directors' remuneration are both NT\$0. The above-mentioned amount are recognized in wages and salaries.

In 2023, the employee remuneration is estimated at 4.46% and 0% based on the profit of the year and directors' remuneration. The board of directors approved the actual allocation amount of NT\$3,282 and NT\$0, of which employee remuneration will be paid in cash.

The employee remuneration and director remuneration for 2022 approved by the board of directors are consistent with the amounts recognized in the 2022 annual 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".

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current tax:		
Surtax on undistributed retained earnings	\$ 692	\$ 1,389
Income tax in the previous year was below (exceeded) estimates	<u>2</u>	<u>2</u>
Current income tax amount	<u>694</u>	<u>1,391</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>2,296</u>	<u>45,659</u>
	<u>\$ 2,990</u>	<u>\$ 47,050</u>

(b) Income tax amount relating to other comprehensive income:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Remeasurement of defined benefit obligation	<u>(\$ 1,133)</u>	<u>\$ 1,155</u>

B. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Income tax calculated by applying statutory rate to the net loss before tax	\$ 14,063	\$ 11,562
Income loss that is exempt from taxation under the income tax law	(2,662)	81
Income calculated according to the income tax law	2,995	27,253
Expenses that should be excluded according to the income tax law	215	300
ITax losses not recognized as deferred tax assets	-	510
Deferred income tax assets not recognized for temporary differences	9,127	3,735
Changes in assessment of realizability of deferred tax assets	(21,442)	2,218
Income tax on undistributed surplus	692	1,389
Income tax (high) underestimation for previous years	<u>2</u>	<u>2</u>
Income tax expense	<u>\$ 2,990</u>	<u>\$ 47,050</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

2023				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 1,896	(\$ 474)	\$ -	\$ 1,422
Unrealized gross profit	3,450	-	-	3,450
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	-	-	85	85
Investment property impairment losses	418	-	-	418
Others	1,390	212	-	1,602
-Tax losses	31,445	(1,318)	-	30,127
Subtotal	<u>\$ 41,788</u>	<u>(\$ 1,580)</u>	<u>\$ 85</u>	<u>\$ 40,293</u>
Deferred tax liabilities:				
-Temporary differences:				
Net defined benefit assets	<u>(\$ 332)</u>	<u>(\$ 716)</u>	<u>\$ 1,048</u>	<u>\$ -</u>
Total	<u>\$ 41,456</u>	<u>(\$ 2,296)</u>	<u>\$ 1,133</u>	<u>\$ 40,293</u>

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:				
Foreign long-term investments income	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 332)</u>	<u>(\$ 332)</u>
Total	<u>\$ 88,270</u>	<u>(\$ 45,659)</u>	<u>(\$ 1,155)</u>	<u>\$ 41,456</u>

- D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2023				
<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	\$ 22,062	-	2027
2018 (approved number)	128,575	128,575	-	2028
2020 (number of declarations)	1,246,240	1,246,240	1,246,240	2030
Subsidiaries:				
2014-2020	32,638	32,638	32,638	2024-2030
2022	2,552	2,552	2,552	2032

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

- E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	<u>\$ 829,958</u>	<u>\$ 784,548</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	2021
Kung Sing Development Co., Ltd.	2021
Chan Pang Construction Co., Ltd.	2021

(29) Earnings per share

For the year ended December 31, 2023			
		Retrospective adjustment Weighted average number of ordinary shares outstanding	Earnings per share
	Amount after tax	(shares in thousands)	(in dollars)
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent company for the period	\$ 67,324	492,280	\$ <u>0.14</u>
<u>Diluted earnings per share</u>			
Effect from dilutive potential ordinary shares-employees' compensation	-	308	
Profit attributable to ordinary shareholders of the parent plus potential ordinary shares	<u>\$ 67,324</u>	<u>492,588</u>	<u>\$ 0.14</u>
For the year ended December 31, 2022			
		Retrospective adjustment Weighted average number of ordinary shares outstanding	Losses per share
	Amount after tax	(shares in thousands)	(in dollars)
<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>

(30) Supplemental cash flow information

Investing activities that are only partially paid in cash

	December 31, 2023	December 31, 2022
Acquisition of real estate, plant and equipment	\$ 107,032	\$ 21,042
Add: end-of-period advance payment for equipment	-	24,585
Less: Prepayment at the beginning of the period for equipment	(24,585)	-
Less: Notes payable at the end of the period	(4,860)-	-
Cash payment in the current period	<u>\$ 77,587</u>	<u>\$ 45,627</u>
acquisition of intangible assets	\$ 2,457	\$ 4,909
Less: Prepayment at the beginning of the period for equipment	-	(1,518)
Cash payment in the current period	<u>\$ 2,457</u>	<u>\$ 3,391</u>

(31) Changes in liabilities from financing activities

	2023				Total liabilities from financing activities
	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	
January 1	\$ 310,000	\$ 167,668	41,731	\$ 224,978	\$ 744,377
Changes in cash flow from financing activities	350,000	67,478	(23,345)	4,205	398,338
Interest expense paid (Note)	-	-	(1,225)	-	(1,225)
Changes in other non-cash items	-	-	80,835	-	80,835
December 31	<u>\$ 660,000</u>	<u>\$ 235,146</u>	<u>\$ 97,996</u>	<u>\$ 229,183</u>	<u>\$ 1,222,325</u>

	2022				Total liabilities from financing activities
	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	
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>\$ 744,377</u>

Note: Cash flow from operating activities listed in the table

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. The Group's borrowings and guarantees for bank financing contracts are jointly and severally guaranteed by the Group's key management members and other related parties. As of December 31, 2023 and 2022, the total amount of guarantees by related parties is respectively NT\$8,907,251 and NT\$7,368,400.
- b. The borrowings amount of mutual endorsement guarantee provided by the Group and other related parties in accordance with the borrowings contract was NT\$101,520 and NT\$108,000, the actual used amount was NT\$101,520 and NT\$108,000, respectively at December 31, 2023 and 2022.
- c. For information on the Group's provision of inventories as guarantee for loans from other related parties, please refer to Note 8 for details.

B. Joint construction and separate sale

- a. The Group originally signed an entrusted development contract and a joint construction contract with other related parties. In December 2023, due to other related parties, it concluded a land joint construction and sub-sale contract with other construction companies, and entered into a land joint construction and sub-sale contract with its consolidated subsidiary Industrial and Information Development Co., Ltd. Terminate the aforementioned entrusted development contract. Due to the aforementioned contract change, the consolidated subsidiary contracted the development project of the construction company and delivered the ancillary facilities for land development to other related parties in accordance with the agreed timetable.
- b. 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, 2023 and 2022, the group paid on behalf of other related parties for the cost of joint construction, respectively NT\$47,561 and NT\$88,775, listed as "other receivables", and the amount collected from other related parties were calculated in NT\$ \$13,950 and NT\$0, listed as "Other Current Liabilities".

C. Rental income (table "Other income")

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Ch'uan fu Investment Co., Ltd.	<u>\$ 23</u>	<u>\$ 23</u>

The Group leases part of its office space to related parties, and the calculation and collection methods are equivalent to those of non-related parties.

(3) The compensation of key member of the management

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Short-term employee benefits	\$ 16,889	\$ 12,971
Post-employment benefits	492	320
	<u>\$ 17,381</u>	<u>\$ 13,291</u>

8. Pledged Assets

The details of the pledged assets are as follows:

Items	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Financial assets measured at amortised cost	\$ 2,672,274	\$ 1,795,506	Provided to banks and owners as a guarantee for short-term loans and construction performance guarantees
Inventory - Properties for sale	319,645	352,392	Provide loan guarantees to related parties
Other current assets - Refundable deposits	44,600	-	Project deposit
Property, plant and equipment	308,876	315,746	Short-term loan guarantee
Investment property	103,802	105,265	Long and short term loan guarantee
	<u>\$ 3,449,197</u>	<u>\$ 2,568,909</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

- (1) As of December 31, 2023, the amount issued but not used for purchasing goods by the Group was NT\$46,102, and the amount of the guarantee issued by the bank for the performance, advance construction receipts and warranty was NT\$4,408,647.
- (2) As of December 31, 2023, the amount of notes issued by the Group due to the lease contracts was NT\$16,922.
- (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. The case was settled between the two parties on August 16, 2023. Although the company compensated the other party NT\$2,610, the above compensation amount will be paid directly by the insurance company.

- (4) The engineering litigation judgment and status as of December 31, 2023:
- 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 Railway Bureau (the Railway Bureau after the reorganization of the High-Speed Railway Engineering Bureau) was dissatisfied with the judgment and appealed again. On April 26, 2023, the Supreme Court sent it back to the High Court for a new trial. Later, on December 7, 2023, the company and the Railway Bureau The two parties reached a settlement, and the Railway Administration paid the company NT\$45,000 to settle the case.
- 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 project delay lawsuit was dismissed by the court of second instance in November 2021. The company was dissatisfied with the above judgment and was later sent back to the High Court for further hearing by the Supreme Court on September 17, 2022. The company and the Northern Construction Department reached a settlement on November 27, 2023, and the Northern Construction Department paid the company NT\$20,000. In April 2022, the third-instance court rejected the fishermen's appeal against the lawsuit, and the entire 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 applied to the Taipei District Court to request the Nuclear Power Engineering Office to increase the payment for the project. However, the Taipei District Court transferred its jurisdiction to the Taoyuan District Court for trial. As of the date of the inspection report, the court of first instance has not yet made a ruling.

- (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. However, the Taipei District Court transferred its jurisdiction to the Taoyuan District Court for trial. 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, However, the Highway Bureau appealed again , On April 13, 2023 which was rejected by the High Court . The Highway Administration did not appeal again and the whole case was closed.
- (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. According to the first-instance judgment on March 29, 2023, the Highway Administration should pay the company NT\$10,228 and delayed interest. The company was dissatisfied with the judgment and appealed to the High Court in April 2023. As of the date of the inspection report, the High Court The court has yet to rule.

- 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.
- (C) Regarding the two cases in this trial, the company and the Taichung Port Bureau agreed to pay the Taichung Port Bureau NT\$1,326 to the company on November 20, 2023 for settlement.

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 2023 remains the same as in 2022, and the Group is committed to maintaining the debt-to-capital ratio under 50%. The Group's debt-to-capital ratio is as follows:

	December 31, 2023	December 31, 2022
Total borrowing	\$ 895,146	\$ 477,668
Deduct: Cash	(1,446,250)	(1,881,244)
Net debt (A)	\$ -	\$ -
Total equity(B)	\$ 5,400,099	\$ 5,284,389
Total capital (C=A+B)	\$ 5,400,099	\$ 5,284,389
Debt-to-capital ratio (A/C)	-	-

(2) Financial risk of financial instruments

A. Category of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	<u>\$ 18,825</u>	<u>\$ 20,366</u>
Financial assets at fair value through other comprehensive income -	<u>\$ 130,265</u>	<u>\$ 77,345</u>
Financial assets at amortized cost		
Cash	\$ 1,466,250	\$ 1,881,244
Financial assets at amortized cost	2,672,274	1,795,506
Accounts receivable	352,459	172,494
Contract assets (construction retention)	538,723	423,248
Other receivables	54,268	95,474
Other current assets	65,600	21,000
Refundable deposits (Other non-current assets)	<u>71,718</u>	<u>81,614</u>
	<u>\$ 5,221,292</u>	<u>\$ 4,470,580</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 660,000	\$ 310,000
Notes payable	374,238	437,835
Accounts payable	853,221	495,027
Other payables	62,082	41,999
Deposit deposit (Other current liabilities)	186,689	186,203
Long-term borrowings (including due within one year)	235,146	167,668
Deposit deposit (Other non-current liabilities)	<u>42,494</u>	<u>38,775</u>
	<u>\$ 2,413,870</u>	<u>\$ 1,677,507</u>
Lease liabilities (including due within one year)	<u>\$ 97,996</u>	<u>\$ 41,731</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, 2023		
	Amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,883	4.33	\$ 51,419
USD : TWD	36	30.71	1,110
EUR : TWD	122	33.98	4,139

(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

- (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, 2023 and 2022 amounted to NT\$306 and NT\$1,012, 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\$567 and NT\$705, respectively for the years ended December 31, 2023 and 2022.

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 2023 and 2022 will come from fair value through profit and loss the profit or

loss of the equity instrument will increase or decrease NT\$188 and NT\$204 respectively; the combined profit and loss will increase or decrease by NT\$1,303 and NT\$773 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, 2023 and 2022, if the market interest rate increases or decreases by 0.25%, the Group's cash outflow will increase or decrease by NT\$2,238 and NT\$1,194 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 rate method of the Group as at 31 December 2023 and 2022 is as follows:

December 31, 2023	Accounts receivable	Contract retention	Contract assets	Total
Expected loss rate	-	-	27.25%	
Total book value	\$ 352,459	\$ 538,723	\$ 2,067,990	\$ 2,959,172
Loss allowance	\$ -	\$ -	\$ 563,560	\$ 563,560

December 31, 2022	Accounts receivable	Contract retention	Contract assets	Total
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>

(*)The Group's accounts receivable in the above table are not overdue.

- (d) The statement of changes in loss allowance for contract assets used simplified approach is as follows:

	December 31, 2023	December 31, 2022
January 1	\$ 486,894	\$ 578,790
Impairment loss	83,882	14,200
Write-offs in this period	(7,216)	(106,096)
December 31	<u>\$ 563,560</u>	<u>\$ 486,894</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, 2023	December 31, 2022
Floating rate		
Due within one year	\$ 550,000	\$ 570,000
Due beyond one year	<u>1,140,000</u>	<u>1,265,000</u>
	<u>\$ 1,690,000</u>	<u>\$ 1,835,000</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, 2023</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	\$ 666,454	\$ -	\$ -	\$ -
Notes payable	374,238	-	-	-
Accounts payable	560,593	26,054	228,723	31,851
Other payables	62,082	-	-	-
Lease liabilities(including due within one year)	27,921	19,372	10,564	48,724
Long-term borrowings (including due within one year)	180,627	6,560	6,560	47,479

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	15,178	14,229	9,604	3,922
Long-term borrowings (including due within one year)	106,589	6,302	6,302	53,683

(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, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through profit or loss - stocks of listed companies	\$ 18,825	\$ -	\$ -	18,825
Financial assets measured at fair value through other comprehensive income-equity securities	-	-	130,265	130,265
	<u>\$ 18,825</u>	<u>\$ -</u>	<u>\$ 130,265</u>	<u>\$ 149,090</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<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>

- D. The methods and assumptions the Group used to measure fair value are as follows:

- The Group used market quotation (closing price) as the inputs of fair values (that is, Level 1).
- 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, 2023	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 126,716	comparable transaction method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
	3,549	Net assets value method	NA	NA	NA
	<u>\$ 130,265</u>				

	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	Net assets value method	NA	NA	NA
	<u>\$ 77,345</u>				

- E. The Group selected the evaluation model and evaluation parameters after careful evaluation, but the use of different evaluation models or evaluation parameters may lead to different evaluation results. For financial assets classified as Level 3, if the evaluation parameters change, the impact on other comprehensive gains and losses for the current period will be as follows:

			<u>December 31, 2023</u>		<u>December 31, 2022</u>	
			<u>Recognized in other comprehensive profit or loss</u>		<u>Recognized in other comprehensive profit or loss</u>	
			<u>favorable change</u>	<u>unfavorable change</u>	<u>favorable change</u>	<u>unfavorable change</u>
	<u>Input value</u>	<u>Change</u>				
monetary assets						
Equity Instrument	fluidity	±5%	\$	9,052	(\$	9,049)
			\$	5,278	(\$	5,278)

- 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 (10).
- G. There was no transfer between level 1 and level 2 for the years ended December 31, 2023 and 2022.

- H. The table below shows the changes in level 3 for the years ended December 31, 2022 and 2021:

	2023	2022
January 1	\$ 77,345	\$ 92,455
Recognized in unrealized investment gains and losses of equity instruments measured by fair value through other comprehensive income	52,920	(15,110)
December 31	\$ 130,265	\$ 77,345

- I. There was no transfer into or out from the level 3 for the years ended December 31, 2023 and 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, 2023:

	<u>Kung Sing</u>	<u>Chan Pang</u>	<u>Kung Sing Development</u>	<u>Adjustment and charge off</u>	<u>Total</u>
External income	\$ 5,314,403	\$ -	\$ 31,718	\$ -	\$ 5,346,121
Internal segmental income	-	-	-	-	-
Segmental income	<u>\$ 5,314,403</u>	<u>\$ -</u>	<u>\$ 31,718</u>	<u>\$ -</u>	<u>\$ 5,346,121</u>
Segments after-tax income	<u>\$ 64,618</u>	<u>\$ 4,398</u>	<u>(\$ 1,692)</u>	<u>\$ -</u>	<u>\$ 67,324</u>
Depreciation, impairment and amortization	<u>\$ 138,943</u>	<u>\$ 2,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,209</u>
Interest income	<u>\$ 15,888</u>	<u>\$ 4,439</u>	<u>\$ 387</u>	<u>\$ -</u>	<u>\$ 20,714</u>
Interest expense	<u>\$ 16,335</u>	<u>\$ 113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,448</u>
Segments assets	<u>\$ 7,290,755</u>	<u>\$ 833,463</u>	<u>\$ 645,956</u>	<u>(\$ 22,065)</u>	<u>\$ 8,748,109</u>

B. 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>

(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:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Construction contract income	5,345,299	4,624,692
Others	822	822
	<u>\$ 5,346,121</u>	<u>\$ 4,625,514</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, 2023 and 2022 is as follows:

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Income	Segment	Income	Segment
Directorate General of Highways, MOTC	\$ 2,525,489	As above	\$ 2,373,685	As above
Taiwan International Ports Co., Ltd	1,170,717	As above	306,662	As above
Taiwan Power Company	1,035,896	As above	1,618,856	As above
JFE Steel Corporation	358,881		-	As above

Kung Sing Engineering Corporation and Subsidiaries
Endorsements and Guarantees for Others
For the Year Ended December 31, 2023
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 1

		Party being endorsed/guaranteed								Ratio of accumulated endorsement/ guarantee amount		Ceiling on total amount of endorsements/ guarantees		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	
No.	Endorser/ guarantor	Company name	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, 2023	Used amount	Amount of endorsements/ guarantees secured with collateral	to net asset value of the endorser/ guarantor company										
1	Kung Sing Development	Pan, jun-rong	Note 2	9,845,604	108,000	101,520	101,520	101,520	1.88%			19,691,208		N		N		N	

Note 1: 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 2: 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, 2023 (Investment in Subsidiaries, Affiliates and Joint Ventures Excluded)
December 31, 2023
(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, 2023				
				Number of shares (thousand shares)	Book value	Ownership (%)	Fair value	Footnote
Chan Pang Industrial Co., Ltd	China Airlines Company Limited.	None	Financial assets at fair value through profit or loss - current	500	\$ 10,825	-	\$ 10,825	Note 1
As above	Yang ming shipping co., ltd.	As above	Financial assets at fair value through profit or loss - current	100	5,130	-	5,130	Note 1
As above	Evergreen marine co., ltd.	As above	Financial assets at fair value through profit or loss - current	20	2,870		2,870	Note 1
					<u>\$ 18,825</u>		<u>\$ 18,825</u>	
The Company	Kung Ting Steel Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	3,240	\$ 126,716	18.00	\$ 126,716	Note 1
As above	Chieh Pang Management Consultant Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	300	3,549	6.00	3,549	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>\$ 130,265</u>		<u>\$ 130,265</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, 2023
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 3

No.	Trader	Trade counterpart	Relationship with trader(Note2)	Transaction circumstances			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	\$ 1,539	Note 4	0.03%
	“	“	“	Deposits received.	300	Note 5	0.01%
1	Kung Sing Development Co., Ltd.	The Company	2	Rent expense	1,539	Note 4	0.03%
	“	“	“	Refundable deposit	300	Note 5	0.01%

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: Payment is made according to the contract.

Note 5: The deposit is collected and paid according to the rental contract.

Kung Sing Engineering Corporation and Subsidiaries
Names, Locations and Other Information of Investees Companies (Investees in Mainland China Excluded)
December 31, 2023
(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, 2023	Balance at December 31, 2022	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	\$ 828,968	\$ 4,398	\$ 4,398	Subsidiary
As above	Kung Sing Development Co., Ltd.	Taiwan	Construction and development of buildings and houses	673,400	673,400	70,000	100	607,919	(1,692)	(1,692)	Subsidiary

Kung Sing Engineering Corporation and Subsidiaries

Information of Major Shareholder
December 31, 2023

Table 5

Name of major shareholder	Shares	
	Holding shares amount (thousand shares)	Ownership (%)
Pan, jun-rong	33,140	6.73
Pan, guan-ru	27,100	5.50

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, 2023 and 2022, 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, 2023 and 2022, 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 2023 parent company only financial statements are stated as follows:

Assessment of Construction Contract Estimated Total Cost

Description

Refer to Note 4 (25) 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 (20) for the contract assets and liabilities of the Company were respectively NT\$2,043,153(thousand) and NT\$744,957(thousand) at December 31, 2023.

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 (23) 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 (27) for the deferred tax assets of the Company were NT\$40,293(thousand) at December 31, 2023.

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, 2023 and 2022, 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\$607,919 thousand and NT\$609,611 thousand, constituting of 7.0% and 8.3% of total assets at December 31, 2023 and 2022, respectively, and the total comprehensive income recognized to net loss NT\$1,692 thousand and net loss NT\$5,086 thousand, constituting of (1.5%) and (1,863%) 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 12, 2024

Kung Sing Engineering Corporation
Parent Company Only Balance Sheets
December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

		December 31, 2023		December 31, 2022	
Assets	Note	Amount	%	Amount	%
Current assets					
1100 Cash and cash equivalents	6(1)	\$ 598,732	7	\$ 1,007,734	14
1136 Financial assets at amortised cost - current	6(2),8	2,672,274	31	1,795,506	25
1140 Contract assets-current	6(20)	2,043,153	23	1,405,840	19
1170 net accounts receivable	6(3)	321,563	4	172,494	3
1200 Other receivables		6,580	-	6,594	-
1220 Current tax assets		771	-	-	-
1410 Prepayments		28,641	-	19,366	-
1479 Other current assets-other	8	65,600	1	21,000	
1482 Fulfilling contract cost-net current	6(4)	544,733	6	593,257	8
11XX Total current assets		6,282,047	72	5,021,791	69
Non-current assets					
1517 Financial assets at fair value through other comprehensive income-non-current	6(5)	130,265	2	77,345	1
1550 Investments using equity method	6(6)	1,436,887	16	1,434,181	20
1600 Property, plant and equipment	6(7), 8	329,441	4	244,921	3
1755 Right-of-use assets	6(8)	92,674	1	34,446	-
1760 Investment property, net	6(9), 8	345,177	4	354,176	5
1780 Intangible assets		5,395	-	5,091	-
1840 Deferred income tax assets	6(27)	40,293	-	41,788	1
1900 Other non-current assets	6(10), 8	65,463	1	101,621	1
15XX Total non-current assets		2,445,595	28	2,293,569	31
1XXX Total assets		\$ 8,727,642	100	\$ 7,315,360	100

(Continued)

Kung Sing Engineering Corporation
Parent Company Only Balance Sheets
December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2023		December 31, 2022	
			Note	Amount	%	Amount
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 660,000	8	\$ 310,000	4
2130	Contract liabilities-current	6(20)	744,957	8	200,838	3
2150	Notes payable		374,109	4	436,545	6
2170	Accounts payable	6(12)	852,290	10	494,078	7
2200	Other payables		61,753	1	41,129	-
2230	Current income tax liabilities		-	-	1,005	-
2250	Provisions for liabilities-current	6(15)	69,088	1	43,416	1
2280	Lease liabilities-current		23,693	-	12,332	-
2300	Other current liabilities	6(13)	365,117	4	292,039	4
21XX	Total current liabilities		3,151,007	36	1,831,382	25
Non-current liabilities						
2540	Long-term borrowings	6(14)	57,596	1	62,556	1
2550	Provisions for liabilities-non-current	6(15)	6,210	-	75,041	1
2570	Deferred income tax liabilities		-	-	332	-
2580	Lease liabilities-non-current		69,912	1	22,785	-
2600	Other non-current liabilities	6(16)	42,818	-	38,875	1
25XX	Total non-current liabilities		176,536	2	199,589	3
2XXX	Total liabilities		3,327,543	38	2,030,971	28
Equity						
	Share capital	6(17)				
3110	Common stock		4,922,802	56	4,922,802	67
	Capital surplus	6(18)				
3200	Capital surplus		519	-	519	-
	Retained earnings	6(19)				
3310	statutory surplus reserve		84,592	1	83,054	1
3350	Undistributed earnings (for covering deficit)		318,417	4	257,165	4
	Other equity	6(5)				
3400	Other equity		73,769	1	20,849	-
3XXX	Total equity		5,400,099	62	5,284,389	72
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	Total liabilities and equity		\$ 8,727,642	100	\$ 7,315,360	100

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, 2023 and 2022
(Expressed in thousands of New Taiwan dollars, except losses per share amounts)

Items	Note	Years ended December 31			
		2023		2022	
		Account	%	Account	%
4000 Operating revenue	6(20)	\$ 5,314,403	100	\$ 4,624,692	100
5000 Operating cost	6(25)(26)	(5,001,792)	(94)	(4,405,589)	(95)
5900 Operating gross profit (loss)		312,611	6	219,103	5
Operating expenses					
6200 General and administrative expenses	6(25)(26)	(171,388)	(3)	(161,615)	(4)
6450 Expected credit impairment loss	12(2)	(83,882)	(2)	(14,200)	-
6000 Total operating expenses		(255,270)	(5)	(175,815)	(4)
6900 Operating profit (loss)		57,341	1	43,288	1
Non-operating income and expenses					
7100 Interest income	6(21)	15,888	-	30,457	-
7010 Other income	6(22), 7	23,449	-	16,321	-
7020 Other gains and losses	6(23)	(12,735)	-	(10,075)	-
7050 Financial costs	6(24)	(16,335)	-	(10,286)	-
Shares of income recognized by equity method of subsidiaries, affiliates and joint ventures					
7070	6(6)	2,706	-	(11,893)	-
7000 Total non-operating income and expenses		12,973	-	14,524	-
7900 Net profit (loss) before tax		70,314	1	57,812	1
7950 Income tax expenses	6(27)	(2,990)	-	(47,050)	(1)
8200 Net profit (loss) for the period		\$ 67,324	1	\$ 10,762	-
Other comprehensive income, net					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurements of defined benefit plans	6(16)	(\$ 5,667)	-	\$ 5,776	-
Unrealized gains and losses from investments in equity instruments measured at fair value through other					
8316 comprehensive income	6(5)	52,920	1	(15,110)	-
Income tax of related to components of other comprehensive income that will not					
8349 be reclassified to profit or loss	6(27)	1,133	-	(1,155)	-
Total amount of components of other comprehensive income that will not be					
8310 reclassified to profit or loss		48,386	1	(10,489)	-
8300 Other comprehensive income (net)		\$ 48,386	1	(\$ 10,489)	-
8500 Total comprehensive income for the period		\$ 115,710	2	\$ 273	-
9750 Basic earnings (losses) per share	6(28)	\$	0.14	\$	0.02
9850 Diluted earnings (losses) per share	6(28)	\$	0.14	\$	0.02

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, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

		Retained earnings				Unrealized gains and losses from	
	Note	Common stock	other	statutory surplus reserve	Undistributed earnings	finical assets at fair value through other comprehensive income	Total equity
<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	6(5)	-	-	-	4,621	(15,110)	(10,489)
Total comprehensive income for the period		-	-	-	15,383	(15,110)	273
Earnings Appropriation and Distribution:	6(19)						
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>
<u>For the year ended December 31, 2023</u>							
Balance at January 1, 2023		\$ 4,922,802	\$ 519	\$ 83,054	\$ 257,165	\$ 20,849	\$ 5,284,389
Net profit for the period		-	-	-	67,324	-	67,324
Other comprehensive income for the period	6(5)	-	-	-	(4,534)	52,920	48,386
Total comprehensive income for the period		-	-	-	62,790	52,920	115,710
Earnings Appropriation and Distribution:	6(19)						
Appropriation of statutory surplus reserve		-	-	1,538	(1,538)	-	-
Balance at December 31, 2023		<u>\$ 4,922,802</u>	<u>\$ 519</u>	<u>\$ 84,592</u>	<u>\$ 318,417</u>	<u>\$ 73,769</u>	<u>\$ 5,400,099</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, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

	Note	For the years ended December 31	
		2023	2022
<u>Cash Flows from Operating Activities</u>			
Net profit before tax		\$ 70,314	\$ 57,812
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets and investment property)	6(23)(25)	49,259	36,559
Amortization	6(25)	2,168	2,000
Expected credit loss	12(2)	83,882	14,200
Interest expense	6(24)	16,335	10,286
Interest income	6(21)	(15,888)	(30,457)
Dividend income	6(22)	(9,887)	(6,611)
Shares in losses (profit) of affiliates and joint ventures accounted for using equity method	6(6)	(2,706)	11,893
Impairment loss on property, plant and equipment	6(7)(23)	3,634	1,919
Lease Modification Benefit	6(8)	-	(34)
Rent concession benefits	6(23)	-	(180)
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets		(721,195)	393,993
Accounts receivable		(149,069)	(172,494)
Other receivables		371	2,952
Prepayments		(9,275)	6,895
Other current assets		(44,600)	-
Cost of fulfilling contracts		48,524	(27,492)
The net defined benefit asset		1,662	-
Net changes in operating liabilities			
Contract liabilities		544,119	(578,976)
Notes payable		(67,296)	184,517
Accounts payable		358,212	(137,892)
Other payables		19,087	5,171
Provisions for liabilities		(43,159)	1,031
Other current liabilities		155	207
Net defined benefit liabilities		(5,244)	(3,543)
Cash inflow (outflow) from operating activities		129,403	(228,244)
Interest received		15,531	30,426
Interest paid		(14,798)	(10,176)
Dividend received		9,887	6,611
Income tax refunded		-	3,817
Income tax paid		(2,470)	(10,956)
Net cash inflow (outflow) from operating activities		137,553	(208,522)

(Continued)

Kung Sing Engineering Corporation
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2023	2022
<u>Cash Flows From Investing Activities</u>			
To acquire financial assets at amortised cost		(\$ 3,010,752)	(\$ 2,311,687)
Disposal of financial assets acquired at amortized cost		2,133,984	2,804,965
Proceeds from acquisition of property, plant and equipment	6(29)	(77,587)	(45,627)
Proceeds from acquisition of intangible assets	6(29)	(2,457)	(3,391)
Margin deposits increase		(50,370)	(48,454)
Margin deposits decrease		60,266	3,866
Disposal of non-current assets to be sold	6(9)	-	25,153
Net cash inflows (outflows) from investing activities		(946,916)	424,825
<u>Cash Flows From Financing Activities</u>			
Borrow short-term borrowings	6(30)	1,610,000	880,000
Repayment of short-term borrowings	6(30)	(1,260,000)	(960,000)
Borrow long-term borrowings	6(30)	370,000	70,611
Repayment of long-term borrowings	6(30)	(302,522)	(75,500)
Increase in deposits received	6(30)	22,296	340,752
Decrease in deposits received	6(30)	(18,291)	(190,231)
Lease liability principal payments	6(30)	(21,122)	(14,231)
Net cash inflows from financing activities		400,361	51,401
Increase (Decrease) in cash and cash equivalents for the period		(409,002)	267,704
Cash and cash equivalents balance at beginning of the period		1,007,734	740,030
Cash and cash equivalents balance at end of the period		\$ 598,732	\$ 1,007,734

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, 2023 and 2022

(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 12, 2024.

7. Application of New Standards, Amendments and Interpretations

- (2) The impact of the newly released and revised International Financial Reporting Standards accounting standards approved and announced as effective by the Financial Supervisory Commission (hereinafter referred to as the "Financial Supervisory Commission") has been adopted.

The following table summarizes the newly issued, revised and revised standards and interpretations of IFRS accounting standards approved and issued by the Financial Supervisory Commission and effective in 2023:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, "Disclosure of accounting policies"	January 1, 2023
Amendments to IAS 8, "Definition of accounting estimate"	January 1, 2023
Amendments to IAS 12, "Deferred income tax relating to assets and liabilities arising from a single transaction"	January 1, 2023
Amendments to IAS 12, "International Tax Reform - Pillar 2 Rules Model"	May 23, 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) The impact of the newly released and revised IFRS accounting standards approved by the Financial Supervisory Commission has not yet been adopted

The following table summarizes the newly issued, revised and revised standards and interpretations of IFRS accounting standards approved and issued by the Financial Supervisory Commission and effective in 2024:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 16, "Lease liabilities in sale and leaseback"	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, "Supplier Financing Arrangements"	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) The impact of IFRS accounting standards that have been issued by the International Accounting Standards Board but have not yet been endorsed by the FSC

The following table summarizes the newly issued, revised and revised standards and interpretations of IFRS accounting standards that have been issued by the International Accounting Standards Board but have not yet been incorporated into the IFRS accounting standards approved by the FSC.

<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
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 21, "lack of convertibility"	January 1, 2025

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.

(28) 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”.

(29) 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 4.

(30) 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”.

(31) 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.

(32) 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.

(33) 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.

(34) 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.

(35) 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.

(36) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(37) 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.

(38) 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.

(39) 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.

(40) 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	10-53 years
Machine equipment	3-7 years
Transportation Equipment	2-6 years
Other equipment	3-9 years

(41) 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.

(42) 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.

(43) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3-5 years.

(44) 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.

(45) 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.

(46) 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.

(47) 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.

(48) 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.

(49) 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.

(50) 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.

(51) 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.

(52) 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 (20).

(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, 2023, the deferred income tax assets recognized by the Company was NT\$40,293.

7. Details of Significant Accounts

(11) Cash

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Check deposits and demand deposits	\$ 591,658	\$ 994,914
Cash on hand and revolving funds	7,074	12,820
	<u>\$ 598,732</u>	<u>\$ 1,007,734</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.

(12) Financial assets at amortised cost - current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Reserve account deposits	\$ 2,520,675	\$ 1,570,091
pledged time deposit	151,599	225,415
	<u>\$ 2,672,274</u>	<u>\$ 1,795,506</u>

- E. The breakdown of financial assets measured at amortised cost recognised in profit or loss is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
interest income	<u>\$ 10,834</u>	<u>\$ 3,187</u>

- 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.

(13) Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Project receivables	<u>\$ 321,563</u>	<u>\$ 172,494</u>

- A. The company's project receivables are from government units, public enterprises, private institutions and other institutions. The receivables are not overdue or impaired. For information on the credit risk of accounts receivable, please refer to Note 12(2).
- B. The accounts receivable balances on December 31, 2023 and December 31, 2022 are all arising from customer contracts. In addition, the accounts receivable under customer contracts on January 1, 2022 is NT\$0.

(14) Cost of fulfilling contracts

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayment for materials and construction	<u>\$ 463,437</u>	<u>\$ 514,827</u>
Prepayment for construction insurance	<u>81,296</u>	<u>78,430</u>
	<u>\$ 544,733</u>	<u>\$ 593,257</u>

(15) Financial assets at fair value through other comprehensive income-non-current

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity instruments		
Non-listed stocks	<u>\$ 56,496</u>	<u>\$ 56,496</u>
Valuation adjustments	<u>73,769</u>	<u>20,849</u>
	<u>\$ 130,265</u>	<u>\$ 77,345</u>

- C. 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, 2023 and 2022 were NT\$130,265 and NT\$77,345, respectively.
- D. 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>2023</u>	<u>2022</u>
Fair value change recognized in other comprehensive income	<u>\$ 52,920</u>	<u>(\$ 15,110)</u>
Dividend profit recognized in profit or loss held at end of period	<u>\$ 9,887</u>	<u>\$ 6,611</u>

- E. The credit risk related information of the financial assets at fair value through other comprehensive income is described in Note 12 (2).

(16) Investment using equity method

Subsidiaries:	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Chan Pang Industrial Co., Ltd.	\$ 828,968	\$ 824,570
Kung Sing Development Co., Ltd	<u>607,919</u>	<u>609,611</u>
	<u>\$ 1,436,887</u>	<u>\$ 1,434,181</u>

- A. Please refers to the Company's consolidated financial statements for the year ended December 31, 2023 Note 4 (3) for the information of subsidiary.
- B. TInvestments 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:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 1,434,181	\$ 1,446,074
Shares of gains (losses) on investment using equity method	<u>2,706</u>	<u>(11,893)</u>
Balance at December 31	<u>\$ 1,436,887</u>	<u>\$ 1,434,181</u>

- C. Due to the downstream transactions of the company's contracting of subsidiary projects in the past years, no realized benefits have been generated in 2023 and 2022.

(7) Property, plant and equipment

	2023				
	Land	Buildings and structures	Machinery equipment	Others	Total
January 1					
Cost	\$ 261,340	\$ 82,130	\$ 16,320	\$ 44,330	\$ 404,120
Accumulated depreciation and impairment	(79,322)	(55,650)	(8,590)	(15,637)	(159,199)
	<u>\$ 182,018</u>	<u>\$ 26,480</u>	<u>\$ 7,730</u>	<u>\$ 28,693</u>	<u>\$ 244,921</u>
January 1	\$ 182,018	\$ 26,480	\$ 7,730	\$ 28,693	\$ 244,921
Additions	-	-	65,696	16,751	82,447
Depreciation expense	-	-	24,585	-	24,585
Depreciation expense	-	(2,345)	(8,054)	(8,479)	(18,878)
Impairment losses	(2,658)	(976)	-	-	(3,634)
Disposal-Cost	-	-	(780)	(2,826)	(3,606)
Disposal - Accumulated Depreciation	-	-	780	2,826	3,606
December 31	<u>\$ 179,360</u>	<u>\$ 23,159</u>	<u>\$ 89,957</u>	<u>\$ 36,965</u>	<u>\$ 329,441</u>
December 31					
Cost	\$ 261,340	\$ 82,130	\$ 105,821	\$ 58,255	\$ 507,546
Accumulated depreciation and impairment	(81,980)	(58,971)	(15,864)	(21,290)	(178,105)
	<u>\$ 179,360</u>	<u>\$ 23,159</u>	<u>\$ 89,957</u>	<u>\$ 36,965</u>	<u>\$ 329,441</u>
	2022				
	Land	Buildings and structures	Machinery equipment	Others	Total
January 1					
Cost	\$ 261,340	\$ 78,696	\$ 15,404	\$ 27,638	\$ 383,078
Accumulated depreciation and impairment	(79,322)	(51,640)	(4,172)	(8,945)	(144, 079)
	<u>\$ 182,018</u>	<u>\$ 27,056</u>	<u>\$ 11,232</u>	<u>\$ 18,693</u>	<u>\$ 238,099</u>
January 1	\$ 182,018	\$ 27,056	\$ 11,232	\$ 18,693	\$ 238,099
Additions	-	3,434	916	16,692	21,042
Depreciation expense	-	(2,091)	(4,418)	(6,692)	(13,201)
Impairment losses	-	(1,919)	-	-	(1,919)
December 31	<u>\$ 182,018</u>	<u>\$ 26,480</u>	<u>\$ 7,730</u>	<u>\$ 28,693</u>	<u>\$ 244,921</u>
December 31					
Cost	\$ 261,340	\$ 82,130	\$ 16,320	\$ 44,330	\$ 404,120
Accumulated depreciation and impairment	(79,322)	(55,650)	(8,590)	(15,637)	(159,199)
	<u>\$ 182,018</u>	<u>\$ 26,480</u>	<u>\$ 7,730</u>	<u>\$ 28,693</u>	<u>\$ 244,921</u>

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 2023 and 2022 is less than the book value, it recognizes impairment loss. They are NT\$3,634 and NT\$1,919 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, 2023</u>	<u>December 31, 2022</u>
Income capitalization rate	1.68%	1.79%

F. Please refer to Note 8 for the information on the Company's collateral provided by property, plant and equipment.

(8) Leasing arrangements-lessee

- G. The Company leases various assets, including lands, buildings and transportation equipment. Lease contracts are typically made for periods of 2-10 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 land, 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:

2023				
	Land	Buildings	Transportation equipment	Total
January 1	\$ 19,070	\$ 9,714	\$ 5,662	\$ 34,446
Additions	13,426	65,056	1,128	79,610
Depreciation expense	(13,395)	(5,585)	(2,402)	(21,382)
December 31	<u>\$ 19,101</u>	<u>\$ 69,185</u>	<u>\$ 4,388</u>	<u>\$ 92,674</u>

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>

- 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, 2023</u>	<u>For the year ended December 31, 2022</u>
Interest expense on lease liabilities	\$ 1,112	\$ 709
Expense on short-term	6,719	4,147
Expense on low-value assets lease contracts	63	28
Lease Modification Benefit	-	34

- K. The Company's total lease cash outflows for the years ended December 31, 2023 and 2022 were NT\$29,016 and NT\$19,115, 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\$0 and NT\$180 in 2023 and 2022. .

(9) Investment property

	2023		
	Land	Buildings and structures	Total
January 1			
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>
January 1	\$ 197,220	\$ 156,956	\$ 354,176
Depreciation expense	-	(8,999)	(8,999)
December 31	<u>\$ 197,220</u>	<u>\$ 147,957</u>	<u>\$ 345,177</u>
December 31			
Cost	\$ 197,220	\$ 260,627	\$ 457,847
Accumulated depreciation and impairment	-	(112,670)	(112,670)
	<u>\$ 197,220</u>	<u>\$ 147,957</u>	<u>\$ 345,177</u>
2022			
	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>

- F. 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.
- G. Rental income and direct operating expense from the investment property are shown below:
- H.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Rental income from investment property	\$ 4,663	\$ 4,478
Direct operating expense arising from the investment property that generated rental income in the period	\$ 9,788	\$ 9,769
Direct operating expense arising from the investment property that did not generate rental income in the period	\$ 155	\$ 170

- I. The due date analysis of the lease payments leased out by the Company under operating leases is as follows:

	December 31, 2023	December 31, 2022
Within a year	\$ 150	\$ 4,169
within two to five years	-	1,550
	\$ 150	\$ 5,719

- J. The fair value of the investment property held by the Company at December 31, 2023 and 2022 were NT\$526,051 and NT\$518,065, 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:

	December 31, 2023	December 31, 2022
Income capitalization rate	1.63%-2.01%	1.77%-1.82%

- K. Please refer to Note 8 for the information on the Company's collateral provided by investment property.

(10) Other non-current assets

	December 31, 2023	December 31, 2022
Refundable deposits	\$ 65,463	\$ 75,359
prepaid equipment	-	24,585
Net defined benefit assets	-	1,662
Others	-	15
	\$ 65,463	\$ 101,621

(11) Short-term borrowings

Type	December 31, 2023	December 31, 2022
Secured borrowings	\$ 660,000	\$ 160,000
Unsecured borrowings	-	150,000
	\$ 660,000	\$ 310,000
Interest rate range	1.98%~2.38%	1.90%~2.04%

Please refer to Note 8 for details of the pledge collateral of short-term borrowings.

(12) Accounts payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Project payment payable	\$ 506,191	\$ 139,366
Project retainage payable	346,099	354,712
	<u>\$ 852,290</u>	<u>\$ 494,078</u>

(13) Other current liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Long-term borrowings due within one year	\$ 177,550	\$ 105,112
Deposits received	186,689	186,203
Receipts under custody	686	516
Others	192	208
	<u>\$ 365,117</u>	<u>\$ 292,039</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Repayment period</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Amortized from		
Medium-term secured borrowings	2022 to 2027	\$ 62,653	\$ 67,668
	After the project remittance ratio reaches 20%, it will be repaid in installments according to 30% of the project payment for each phase	164,970	100,000
	Repayable in installments based on 15% of each project payment	7,523	-
Subtotal		235,146	167,668
Deduct: due within one year (recognized in "Other current liabilities")		(177,550)	(105,112)
		<u>\$ 57,596</u>	<u>\$ 62,556</u>
Interest rate range		1.98%~2.5%	1.86%~2.38%

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. The company considers the future funding needs of KS067 and will write off the remaining unspent borrowing line in the third quarter of 2023.

B. KSC078 joint loan case

- a. On November 16, 2023, the company signed a joint credit agreement with six financial institutions including Taipei Fubon Commercial Bank and Taiwan Cooperative Bank for long-term unsecured joint lending, project performance bond and project prepayment repayment guarantee, with a total amount of NT\$3,200,000. On January 19, 2033, 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\$4,000,000
- b. As of December 31, 2023, the undrawn loan amount for this joint loan case was NT\$700,000, and the undrawn guarantee amount was NT\$979,823.

F. As of December 31, 2023, In addition to the above-mentioned KCS078 joint loan case, the unutilized loan amount of the Company is NT\$440,000.

G. Please refer to Note 12 (2) C. c. for details of the liquidity risks.

H. Please refer to Note 8 for details of the pledge collateral of long-term borrowings.

(15) Provisions for liabilities

	2023		
	Warranty	Engineering loss	Total
January 1	\$ 118,457	\$ -	\$ 118,457
Additions in the period	6,677	-	6,677
Used and transferred in the period	(49,836)	-	(49,836)
December 31	<u>\$ 75,298</u>	<u>\$ -</u>	<u>\$ 75,298</u>
Recognized as:			
Provisions for liabilities-current	<u>\$ 69,088</u>	<u>\$ -</u>	<u>\$ 69,088</u>
Provisions for liabilities-non-current	<u>\$ 6,210</u>	<u>\$ -</u>	<u>\$ 6,210</u>
	2022		
	Warranty	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>\$ 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>

B. 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 2024 to 2027.

C. 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.

(16) 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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	(\$ 72,044)	(\$ 68,908)
Fair value of plan assets	71,621	70,570
Net defined benefit liability	<u>(\$ 423)</u>	<u>\$ 1,662</u>

(b) Changes in net defined benefit liability

	2023		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance, January 1	(\$ 68,908)	\$ 70,570	\$ 1,662
Service cost for the period	(220)	-	(220)
Interest income (expense)	(802)	828	26
	<u>(69,930)</u>	<u>71,398</u>	<u>1,468</u>
Remeasurements:			
Return on plan assets	-	673	673
Changes in financial assumptions	(220)	-	(220)
Experience adjustments	(6,120)	-	(6,120)
	<u>(6,340)</u>	<u>673</u>	<u>(5,667)</u>
Pension fund contribution	-	3,776	3,776
Pay pension	4,226	(4,226)	-
Balance, December 31	<u>(\$ 72,044)</u>	<u>\$ 71,621</u>	<u>(\$ 423)</u>
	2022		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance, January 1	(\$ 69,697)	\$ 62,040	(\$ 7,657)
Service cost for the period	(318)	-	(318)
Interest income (expense)	(447)	401	(46)
	<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	(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>

(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, 2023 and 2022 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, 2023	For the year ended December 31, 2022
Discount rate	1.15%	1.20%
Future salary increase rate	2.00%	2.00%

- I. Assumptions about future mortality rates are estimated based on the Sixth Experience Life Table of the Taiwan life insurance industry.
- II. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,087)</u>	<u>\$ 1,115</u>	<u>\$ 1,103</u>	<u>(\$ 1,081)</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>

- 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, 2024 is NT\$1,017.
- (f) As of December 31, 2023, 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	\$	8,050
1-2 years		10,957
2-5 years		14,098
Beyond 5 years		43,927
	\$	<u>77,032</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, 2023 and 2022 were NT\$8,812 and NT\$7,751, respectively.

(17) Common stock

As at December 31, 2023 and 2022, 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. The number of ordinary shares issued by the company at the beginning and end of the period was 492,280 thousand shares.

(18) 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.

(19) 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 27, 2023 and July 29, 2022, the profit distribution proposals for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
	Amount	Amount
	<u>NTD</u>	<u>NTD</u>
Appropriation of statutory surplus reserve	\$ 1,538	\$ 3,087

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 12, 2024, the company's 2023 profit distribution proposal has not been resolved by the board of directors.

(20) 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:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Over time	<u>\$ 5,314,403</u>	<u>\$ 4,624,692</u>

D. Contract assets and liabilities

The Company recognized the following customer contract revenue-related contract assets and liabilities:

	December 31, 2023	December 31, 2022
Contract assets:		
Engineering construction contract	\$ 2,067,990	\$ 1,462,270
Project retention receivables	538,723	423,248
Deduct: allowance for loss	(563,560)	(479,678)
	<u>\$ 2,043,153</u>	<u>\$ 1,405,840</u>
Contract liabilities :		
Construction contract	<u>\$ 744,957</u>	<u>\$ 200,838</u>

- (f) The expected recovery situation of project retention derives from construction contracts is as follows:

	December 31, 2023	December 31, 2022
2023	\$ -	\$ 105,625
2024	-	-
After 2025 (inclusive)	<u>538,723</u>	<u>317,623</u>
	<u>\$ 538,723</u>	<u>\$ 423,248</u>

- (g) The Company's contract assets and liabilities change over time with the contraction performance obligations and timing of customer payment. In 2023 and 2022, 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\$83,882 and NT\$14,200 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, 2022 are NT\$779,814, and the contract liabilities at the beginning of the period will be NT\$200,838 and NT\$779,814 in 2023 and 2022 respectively.
- (i) Transaction price to non-performance obligation As of December 31, 2023, the total amount of the transaction price to non-performance obligation was NT\$35,028,265. The Company will gradually recognize revenue as the completion of the construction projects. The projects will be completed from 2025 to 2033.
- (j) Please refer to Note 12 (2) for details of the contract assets credit risk.

(21) Interest income

	For the year ended December 31 , 2023	For the year ended December 31 , 2022
Interest income from bank deposits	\$ 4,224	\$ 941
Interest income from financial assets measured at amortised cost	10,834	3,187
Deferred interest income	767	26,299
Other interest income	63	30
	<u>\$ 15,888</u>	<u>\$ 30,457</u>

(22) Other income

	For the year ended December 31 , 2023	For the year ended December 31 , 2022
Dividend income	\$ 9,887	\$ 6,611
Rental income	8,528	7,987
Repair income	2,116	-
Litigation compensation income	1,599	-
Gains on rent concessions	-	180
Others	1,319	1,543
	<u>\$ 23,449</u>	<u>\$ 16,321</u>

(23) Other gains and losses

	For the year ended December 31 , 2023	For the year ended December 31 , 2022
Investment property depreciation expense	(8,999)	(8,999)
impairment loss	(3,634)	(1,919)
Gains on foreign exchange, net	306	1,012
Others	(408)	(169)
	<u>(\$ 12,735)</u>	<u>(\$ 10,075)</u>

(24) Financial cost

	<u>For the year ended December 31 , 2023</u>	<u>For the year ended December 31 , 2022</u>
Interest expense:		
Bank loan	\$ 15,211	\$ 9,575
Interest expense on lease liabilities	1,112	709
Others	<u>12</u>	<u>2</u>
	<u>\$ 16,335</u>	<u>\$ 10,286</u>

(25) Additional information on the nature of expenses

	<u>For the year ended December 31 , 2023</u>	<u>For the year ended December 31 , 2022</u>
construction cost	\$ 4,640,851	\$ 4,140,780
Employee benefit expense	\$ 403,827	\$ 302,353
Depreciation expense of property, plant and equipment	\$ 18,878	\$ 13,201
Depreciation expense of right-of-use assets	\$ 21,382	\$ 14,359
Amortization expense	<u>2,168</u>	<u>2,000</u>
	<u>\$ 5,087,106</u>	<u>\$ 4,472,693</u>

(26) Employee benefit expense

For the year ended December 31, 2023			
	Operating cost	Operating expense	Total
Wages and salaries	\$ 285,051	\$ 58,821	\$ 343,872
Labor and health insurance fees	28,068	5,550	33,618
Pension costs	6,621	2,385	9,006
Directors' remunerations	-	2,225	2,225
Other personnel expenses	10,520	4,586	15,106
	<u>\$ 330,260</u>	<u>\$ 73,567</u>	<u>\$ 403,827</u>

For the year ended December 31, 2022			
	Operating cost	Operating expense	Total
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
Director's remunerations	-	2,285	2,285
Other personnel expenses	8,709	4,090	12,799
	<u>\$ 238,784</u>	<u>\$ 63,569</u>	<u>\$ 302,353</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, 2023 and 2022 were NT\$3,282 and NT\$3,043, respectively; the estimation amount of the directors' remuneration were NT\$0. 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 4.46% and 0% of distributable profit of current period for the year ended December 31, 2023. The board of directors determined that the actual allotment amount was NT\$3,282 and NT\$0, of which employee compensation would be paid in cash.

The board of directors has resolved that employee remuneration and director remuneration for 2022 are consistent with the amounts recognized in the 2022 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".

(27) Income tax

G. Income tax expense

(c) Components of income tax expense:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current tax:		
Current tax on profits for the year	\$ 692	\$ 1,389
Prior year income tax low (over) estimation	<u>2</u>	<u>2</u>
	<u>694</u>	<u>1,391</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>2,296</u>	<u>45,659</u>
Income tax expense	<u>\$ 2,990</u>	<u>\$ 47,050</u>

(d) Income tax amount relating to other comprehensive income:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Remeasurement of defined benefit obligation	<u>(\$ 1,133)</u>	<u>\$ 1,155</u>

H. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Income tax calculated by applying statutory rate to the net loss before tax	\$ 14,063	\$ 11,562
Income loss that is exempt from taxation under the income tax law	(2,518)	1,056
Income calculated according to the income tax law	2,995	27,253
Expenses that should be excluded according to the income tax law	215	300
Temporary differences not recognized as deferred tax assets	8,741	3,228
Changes in assessment of realizability of deferred tax assets	(21,200)	2,260
Surtax on undistributed retained earnings	692	1,389
Prior year income tax low (over) estimation	<u>2</u>	<u>2</u>
Income tax expense	<u>\$ 2,990</u>	<u>\$ 47,050</u>

I. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

2023				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 1,896	(\$ 474)	\$ -	\$ 1,422
Unrealized gross profit	3,450	-	-	3,450
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	-	-	85	85
Investment property impairment losses	418	-	-	418
Others	1,390	212	-	1,602
-Tax losses	31,445	(1,318)	-	30,127
Subtotal	<u>\$ 41,788</u>	<u>(\$ 1,580)</u>	<u>\$ 85</u>	<u>\$ 40,293</u>
Deferred tax liabilities:				
-Temporary differences:				
Net defined benefit assets	<u>(\$ 332)</u>	<u>(\$ 716)</u>	<u>\$ 1048</u>	<u>\$ -</u>
Total	<u>\$ 41,456</u>	<u>(\$ 2,296)</u>	<u>\$ 1,133</u>	<u>\$ 40,293</u>

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:				
Unrealized exchange profit	-	\$ -	(\$ 332)	(\$ 332)
Total	<u>\$ 88,270</u>	<u>(\$ 45,659)</u>	<u>(\$ 1,155)</u>	<u>\$ 41,456</u>

- J. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2017(Filed amount)	\$ 310,913	\$ 22,062	\$ -	2027
2018(Filed amount)	128,575	128,575	-	2028
2020(Assessed amount)	1,246,240	1,246,240	1,246,240	2030

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

- K. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 824,399</u>	<u>\$ 777,680</u>

- L. The Company's profit-seeking enterprise income tax through 2021 has been approved by the Tax Authority.

(28) Earnings per share

	For the year ended December 31, 2023		
	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	\$ 67,324	\$ 492,280	<u>\$ 0.14</u>
<u>Diluted earnings per share</u>			
Effect from dilutive potential ordinary shares-employees' compensation	-	308	
Net profit attributable to ordinary shareholders for the period plus effect from potential ordinary shares	<u>\$ 67,324</u>	<u>492,588</u>	<u>\$ 0.14</u>

For the year ended December 31, 2022			
		Retrospective adjustment of the weighted average number of outstanding shares (shares in thousands)	Earnings per share (in dollars)
	Amount after tax		
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders for the period	\$ 10,762	\$ 492,280	\$ 0.02
<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	\$ 10,762	492,802	\$ 0.02

(29) Supplementary Cash Flow Information

Investment activities with only partial cash payment:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Acquisition of real estate, plant and equipment	\$ 107,032	\$ 21,042
Add: end-of-period advance payment for equipment	-	24,585
Less: Prepayment at the beginning of the period for equipment	(24,585)	-
Notes payable at the end of the period	(4,860)	-
Cash payment in the current period	<u>\$ 77,587</u>	<u>\$ 45,627</u>
Acquisition of intangible assets	\$ 2,457	\$ 4,909
Less: Prepayment at the beginning of the period for equipment	-	(1,518)
Cash payment in the current period	<u>\$ 4,457</u>	<u>\$ 3,391</u>

(30) Changes in liabilities from financing activities

	2023				Total liabilities from financing activities
	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	
January 1	\$ 310,000	\$ 167,668	35,117	\$ 225,078	\$ 737,863
Changes in cash flow from financing activities	350,000	67,478	(21,122)	4,005	400,361
Interest expense paid (Note)	-	-	(1,112)	-	(1,112)
Changes in other non-cash items	-	-	80,722	-	80,722
December 31	<u>\$ 660,000</u>	<u>\$ 235,146</u>	<u>\$ 93,605</u>	<u>\$ 229,083</u>	<u>\$ 1,217,834</u>

	2022				Total liabilities from financing activities
	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	
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>\$ 737,863</u>

Note: Cash flow from operating activities listed in the table

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, 2023</u>	<u>For the year ended December 31, 2022</u>
Kung Sing Development	\$ 1,539	\$ 1,537
Chan Pang Industrial	57	57
Ch'uan fu Investment	23	23
	<u>\$ 1,619</u>	<u>\$ 1,617</u>

The company leases part of its office space to related parties, and the calculation and collection methods are equivalent to those of non-related parties.

E. Endorsement and guarantees

(a) The company's borrowings and guarantees for bank financing contracts are jointly and severally guaranteed by the company's key management members and other related parties. As of December 31, 2023 and 2022, the total amount of guarantees by related parties is respectively NT\$8,907,251 and NT\$7,368,400.

(b) Please refer to Note 13 for the details of the endorsement and guarantee by the company's subsidiaries.

(6) The compensation of key member of the management

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Short-term employee benefits	16,889	12,971
Post-employment benefits	492	320
	<u>\$ 17,381</u>	<u>\$ 13,291</u>

9. Pledged Assets

The details of the pledged assets are as follows:

Items	Book value		Purpose
	December 31, 2023	December 31, 2022	
Financial assets at amortised cost	\$ 2,672,274	\$ 1,795,506	Provided to banks and owners as a guarantee for short-term loans and construction performance guarantees
Other current assets-margin	44,600	-	Project deposit
Property, plant and equipment	117,018	116,630	Short-term borrowings guarantee
Investment property	295,660	304,381	Long-term and short-term borrowings guarantee
	<u>\$ 3,129,552</u>	<u>\$ 2,216,517</u>	

10. Significant Contingent Liabilities and Unrecognized Contract Commitments

- (5) As of December 31, 2023, the amount issued but not used for purchasing goods by the Group was NT\$46,102, and the amount of the guarantee issued by the bank for the performance, advance construction receipts and warranty was NT\$4,408,647.
- (6) As of December 31, 2023, the amount of notes issued by the Group due to the lease contracts was NT\$12,441.
- (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. The case was settled between the two parties on August 16, 2023. Although the company compensated the other party NT\$2,610, the above compensation amount will be paid directly by the insurance company.
- (8) The engineering litigation judgment and status as of December 31, 2023:
 - 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 Railway Bureau (the Railway Bureau after the reorganization of the High-Speed Railway Engineering Bureau) was dissatisfied with the judgment and appealed again. On April 26, 2023, the Supreme Court sent it back to the High Court for a new trial. Later, on December 7, 2023, the company and the Railway Bureau The two parties reached a settlement, and the Railway Administration paid the company NT\$45,000 to settle the case.
- 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 project delay lawsuit was dismissed by the court of second instance in November 2021. The company was dissatisfied with the above judgment and was later sent back to the High Court for further hearing by the Supreme Court on September 17, 2022. The company and the Northern Construction Department reached a settlement on November 27, 2023, and the Northern Construction Department paid the company NT\$20,000. In April 2022, the third-instance court rejected the fishermen's appeal against the lawsuit, and the entire 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 applied to the Taipei District Court to request the Nuclear Power Engineering Office to increase the payment for the project. However, the Taipei District Court transferred its jurisdiction to the Taoyuan District Court for trial. As of the date of the inspection report, the court of first instance has not yet made a ruling.
- (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. However, the Taipei District Court

transferred its jurisdiction to the Taoyuan District Court for trial. 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, However, the Highway Bureau appealed again , On April 13, 2023 which was rejected by the High Court .

The Highway Administration did not appeal again and the whole case was closed.

- (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. According to the first-instance judgment on March 29, 2023, the Highway Administration should pay the company NT\$10,228 and delayed interest. The company was dissatisfied with the judgment and appealed to the High Court in April 2023. As of the date of the inspection report, the High Court The court has yet to rule.
- 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.
- (C) Regarding the two cases in this trial, the company and the Taichung Port Bureau agreed to pay the Taichung Port Bureau NT\$1,326 to the company on November 20, 2023 for settlement.

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 2023 remains the same as in 2022, and the Company is committed to maintaining the debt-to-capital ratio under 50%. The Company's debt-to-capital ratio is as follows:

	December 31, 2023	December 31, 2022
Total borrowing	\$ 895,146	\$ 477,668
Deduct: Cash	(598,732)	(1,007,734)
Net debt (A)	\$ 296,414	\$ -
Total equity(B)	\$ 5,400,099	\$ 5,284,389
Total capital (C=A+B)	\$ 5,696,513	\$ 5,284,389
Debt-to-capital ratio (A/C)	5.20%	0.00%

(3) Financial risk of financial instruments

C. Category of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income - non-current	\$ 130,265	\$ 77,345
Financial assets at amortized cost		
Cash and cash equivalents	\$ 598,732	\$ 1,007,734
Financial assets at amortized cost	2,672,274	1,795,506
Contract assets (construction retention)	538,723	423,248
Net accounts and bills receivable	321,563	172,494
Other receivables	6,580	6,594
Other current assets	65,600	21,000
Margin deposits (listed as other non-current assets)	65,463	75,359
	<u>\$ 4,268,935</u>	<u>\$ 3,501,935</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 660,000	\$ 310,000
Notes payable	374,109	436,545
Accounts payable	852,290	494,078
Other payables	61,753	41,129
Deposit deposit (Other current liabilities)	186,689	186,203
Long-term borrowings (including due within one year)	235,146	167,668
Deposit deposit (Other non-current liabilities)	42,394	38,875
	<u>\$ 2,412,381</u>	<u>\$ 1,674,498</u>
Lease liabilities (including due within one year)	<u>\$ 93,605</u>	<u>\$ 35,117</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, 2023			
(Foreign currency: functional currency)	Amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,883	4.33	\$ 51,419
USD : TWD	36	30.71	1,110
Euro: New Taiwan Dollar	122	33.98	4,139

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

- (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, 2023 and 2022 were NT\$306 and NT\$1,012, 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\$567 and NT\$705, respectively for the years ended December 31, 2023 and 2022.

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, 2023 and 2022 will decrease or increase by NT\$1,303 and NT\$773, 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, 2023 and 2022, if the market interest rate increases or decreases by 0.25%, the Company's cash outflow will increase or decrease by NT\$2,238 and NT\$1,194, respectively.

e. Credit risk

- (e) 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.
- (f) 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.
- (g) 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, 2023 and 2022 is as follows:

December 31, 2023	Accounts receivable	Contract retention	Contract assets	Total
Expected loss rate	-	-	27.25%	
Total book value	<u>\$ 321,563</u>	<u>\$ 538,723</u>	<u>\$ 2,067,990</u>	<u>\$2,928,276</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,560</u>	<u>\$ 563,560</u>

December 31, 2022	Accounts receivable	Contract retention	Contract assets	Total
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>

Note: The above-mentioned accounts receivable and project retainage of the Company are not overdue.

- (h) The table of changes in contract assets and margin allowance losses for which the Company adopts the simplified approach is as follows:

	2023	2022
January 1	\$ 486,894	\$ 578,790
Impairment loss	83,882	14,200
Write-offs in this period	(7,216)	(106,096)
December 31	<u>\$ 563,560</u>	<u>\$ 486,894</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:

	December 31, 2023	December 31, 2022
Floating rate		
Due within one year	\$ 550,000	\$ 570,000
Due beyond one year	<u>1,140,000</u>	<u>1,265,000</u>
	<u>\$ 1,690,000</u>	<u>\$ 1,835,000</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:

December 31, 2023	Less than 1 year	1-2 years	2-3 years	Beyond 3 years
Short-term borrowings	\$ 666,454	\$ -	\$ -	\$ -
Notes payable	374,109	-	-	-
Accounts payable	565,662	26,054	228,723	31,851
Other payables	61,753	-	-	-
Lease liabilities	25,583	17,229	10,564	48,724
Long-term borrowings (including due within one year)	180,627	6,560	6,560	47,479

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

(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, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income-equity securities	\$ -	\$ -	\$ 130,265	\$ 130,265
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income-equity securities	\$ -	\$ -	\$ 77,345	\$ 77,345

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, 2023	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 126,716	comparable	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
		transaction			
		method			
		comparable			
		transaction			
	3,549	method	NA	NA	NA
	<u>\$ 130,265</u>				

	Fair value at December 31, 2022	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 73,901	comparable	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
		transaction			
		method			
		comparable			
		transaction			
	3,444	method	NA	NA	NA
	<u>\$ 77,345</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:

			December 31, 2023		December 31, 2022	
			Recognized in other		Recognized in other	
			comprehensive profit or loss		comprehensive profit or loss	
			favorable	unfavorable	favorable	unfavorable
	Input value	Change	change	change	change	change
monetary assets						
Equity Instrument	fluidity	±5%	\$ 9,052	(\$ 9,049)	\$ 5,278	(\$ 5,278)

- 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 (9) for information on its fair value.

- L. There was no transfer between level 1 and level 2 for the years ended December 31, 2023 and 2022.

- M. The table below shows the changes in level 3 for the years ended December 31, 2023 and 2022:

	2022	2021
January 1	\$ 77,345	\$ 92,455
Recognized in unrealized investment gains and losses of equity instruments measured by fair value through other comprehensive income	52,920	(15,110)
December 31	\$ 130,265	\$ 77,345

- N. There was no transfer into or out from the level 3 for the years ended December 31, 2023 and 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, 2023
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 1

		Party being endorsed/guaranteed								Ratio of accumulated endorsement/ guarantee		Ceiling on total amount of endorsements/ guarantees		Provision of endorsements/ guarantees by parent		Provision of endorsements/ guarantees by subsidiary to parent		Provision of endorsement s/guarantees to the party in Mainland China	
No.	Endorser/ guarantor	Company name	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, 2023	Used amount	Amount of endorsements/ guarantees secured with collateral	to net asset value of the endorser/ guarantor company	total amount of endorsements/ guarantees provided (Note 4)	company to subsidiary	company	company	company	company	company	company	company	company
1	Kung Sing Development	Pan, jun-rong	Note 2	9,845,604	108,000	101,520	101,520	101,520	1.88%	19,691,208	N	N	N	N	N	N	N	N	N

Note 1: 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 2: 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, 2023 (Investment in Subsidiaries, Affiliates and Joint Ventures Excluded)
December 31, 2023
(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, 2023				
				Number of shares (thousand shares)	Book value	Ownership (%)	Fair value	Footnote
Chan Pang Industrial Co., Ltd	China Airlines Company Limited.	None	Financial assets at fair value through profit or loss - current	500	\$ 10,825	-	\$ 10,825	Note 1
As above	Yang ming shipping co., Ltd.	As above	Financial assets at fair value through profit or loss - current	100	5,130	-	5,130	Note 1
As above	Evergreen marine co., Ltd.	As above	Financial assets at fair value through profit or loss - current	20	2,870		2,870	Note 1
					<u>\$ 18,825</u>		<u>\$ 18,825</u>	
The Company	Kung Ting Steel Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	3,240	\$ 126,716	18.00	\$ 126,716	Note 1
As above	Chieh Pang Management Consultant Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	300	3,549	6.00	3,549	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>\$ 130,265</u>		<u>\$ 130,265</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, 2023
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 3

No.	Trader	Trade counterpart	Relationship with trader(Note2)	Transaction circumstances			
				Accounts	Amount	Transaction terms	The proportion of the amount to consolidated total revenue or total assets(Note 3)
0	The Company	Kung Sing Development Co., Ltd.	1	Rent income	\$ 1,539	Note 4	0.03%
	"	"	"	Deposits received.	300	Note 5	0.01%
1	Kung Sing Development Co., Ltd.	The Company	2	Rent expense	1,539	Note 4	0.03%
	"	"	"	Refundable deposit	300	Note 5	0.01%

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 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: Payment is made according to the contract.

Note 5: The deposit is collected and paid according to the lease contract.

Kung Sing Engineering Corporation

Information of Investees (Investees in Mainland China Excluded)
December 31, 2023
(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, 2023	Balance at December 31, 2022	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	\$ 828,968	\$ 4,398	\$ 4,398	Subsidiary
As above	Kung Sing Development Co., Ltd.	Taiwan	Construction and development of buildings and houses	673,400	673,400	70,000	100	607,919	(1,692)	(1,692)	Subsidiary

Information of Major Shareholder
December 31, 2023

Table 5

Name of major shareholder	Shares	
	Holding shares amount (thousand shares)	Ownership (%)
Pan, jun-rong	33,140	6.73
Pan, guan-ru	27,100	5.50