

Kung Sing Engineering Corporation and Subsidiaries

Consolidated Financial Statements and

Independent Auditors' Report

December 31, 2022 and 2021

(Stock Code 5521)

*This financial report is only an English translation, and has not been reviewed or checked by an accountant

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Kung Sing Engineering Corporation
Declaration of Affiliates Consolidated Financial Statements

For the year ended December 31, 2022, the companies required to be included in the consolidated financial statements in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies, as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the above-mentioned consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2022.

Hereby certify

Company: Kung Sing Engineering Corporation

Principal: Chen, huang-ming

March 14, 2023

Independent Auditors' Report Translated from Chinese

To the Boards of Directors and Stockholders of Kung Sing Engineering Corporation

Opinion

We have audited the consolidated balance sheets of Kung Sing Engineering Corporation and its subsidiaries (the "Group") as at December 31, 2022 and 2021, as well as the consolidated statements of comprehensive income, the consolidated statement of changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to *Other matter* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at December 31, 2022 and 2021, as well as its consolidated financial performance and its consolidated statement of cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities with the requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these

matters.

Key audit matters for the Group's consolidated financial statements for the current period are stated as follows:

Assessment of Construction Contract Estimated Total Cost

Description

Refer to Note 4 (28) for accounting policies on construction contract revenue, Note 5 for significant judgments, accounting estimates and uncertainty of assumptions adopted in the construction contract accounting policy, and Note 6 (18) for the contract assets and liabilities of the Group were respectively NT\$1,405,840(thousand) and NT\$200,838(thousand) at December 31, 2022.

The construction income and cost of the Group is mainly generated by constructing civil projects. The accurate estimates of the construction contract result are recognized by the percentage of incurred construction cost or the owner's assessment of pricing progress accounts for the estimated total cost, or recognized gradually over time based on the milestones agreed in the contract.

Due to the estimated total cost is assessed and judged from engineering properties, estimated subcontract amount, duration, construction operation and methods by the management. It's highly uncertain, which may affect the revenue calculation of the project. Therefore, we included the assessment of construction contract estimated total cost as one of the key matters for audit.

Procedure

We performed the following audit procedures on the above key audit matter:

1. Evaluated the reasonableness of the policies and procedures of estimated total cost based on understanding of the industry properties and operation, including the assessment basis of the estimated total cost of the same properties construction contracts in the past.
2. Obtained the projects with significant changes in the estimated total cost for the period, reviewed the changes description. And confirmed the appropriate approval of the head of authority or obtained the supporting information of owner's changing contract agreement.
3. Selected samples of outsourced contracts, for the un-outsourced contracts, we evaluated the basis and reasonableness of estimated cost.
4. Verified the proportion of actual cost to estimated total cost and compared it with the owner's accepted completion progress to assess the reasonableness of the estimated total cost. If there was any difference, we obtained the management's description and assessed the reasonableness.

Achievability of Deferred Tax Assets

Description

Refer to Note 4 (26) for the deferred tax assets accounting policies, Note 5 for the accounting estimates of the deferred tax assets achievability and the uncertainty of assumptions, and Note 6 (25) for the deferred tax assets of the Group were NT\$41,788(thousand) at December 31, 2022. Deferred tax asset is recognized only if it is likely to be used to deduct future taxable income. The estimated future income statement and potential taxable income used to assess the achievability of deferred tax assets involved subjective judgment of the management. We consider that the judgments mentioned above are related to the prediction of future and the assumptions used are highly uncertain and the estimates have a significant impact on taxable income. Therefore, we included the achievability of deferred tax assets as one of the key matters for audit.

Procedure

We performed the following audit procedures on the above key audit matter:

1. Obtained future operating plan and estimated income statement approved by management.
2. Compared the estimated future income statement with past results.
3. Inspected the reasonableness of the items and amount of the estimated income statements adjusted to the future taxable income.
4. Evaluated the achievability of deferred tax assets by comparing the estimated taxable income with the tax loss of the past year.

Other Matters-Audits of the Other Independent Accountants

We did not audit the financial statements of all subsidiaries of the Group for the years ended December 31, 2022 and 2021, but audited by other independent accountants. Therefore, the amount of financial statements and the relevant information disclosed in Note 13 and our opinions expressed herein is based solely on the audit report of the other independent accountants. Total assets of the subsidiary amounted to NT\$634,666 thousand and NT\$639,090 thousand, constituting of 8.7% and 8.2% of consolidated total assets at December 31, 2022 and 2021, respectively, and the net operating revenue amounted to NT\$822 thousand and NT\$56,838 thousand, constituting of 0.02% and 1.6% of net consolidated operating revenue for the years then ended, respectively.

Other Matters-Parent Company Only Financial Reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Kung Sing Engineering Corporation as at and for the years ended December 31, 2022 and 2021.

Responsibilities of Management and those Charged with Governance for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the "Regulations for the Preparation of Financial Reports by Issuers of Securities" and the approved and issued effective International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations by the Financial Supervisory Committee and Management. Such internal controls are determined to be necessary so that the consolidated financial statements are prepared free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ROC GASS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of misstatement of consolidated financial statements whether due to fraud or error, design and perform appropriate countermeasures for the risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control of relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control.
3. Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Group's ability of to continue as a going concern. If we concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance the group audit, and concluding audit opinions on consolidated financial statements.

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

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

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

Accountant

Lin, Se-kai

Wen, Ya-fang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

Kung Sing Engineering Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,881,244	26	\$ 1,663,888	21
1110	Financial assets at fair value through profit or loss - current	6(2)	20,366	-	-	-
1136	Financial assets at amortised cost - current	6(3),8	1,795,506	25	2,288,784	30
1140	Contract assets-current	6(18)	1,405,840	19	1,814,033	23
1170	Accounts receivable, net		172,494	2	210	-
1200	Other receivables	7	95,474	1	86,343	1
1220	Current tax assets		129	-	3,885	-
130X	Inventories	6(4)	417,712	6	417,712	6
1410	Prepayments		49,841	1	56,157	1
1460	Non-current assets for sale, net	6(9)	-	-	25,153	-
1479	Other current assets-other		21,000	-	21,000	-
1482	Fulfilling contract cost-net current	6(5)	593,257	8	565,765	7
11XX	Total current assets		<u>6,452,863</u>	<u>88</u>	<u>6,942,930</u>	<u>89</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income-non-current	6(6) 6(7),	77,345	1	92,455	1
1600	Property, plant and equipment	8	444,037	6	445,373	6
1755	Right-of-use assets	6(8)	41,055	1	41,172	1
1760	Investment property, net	6(9), 8	155,060	2	156,801	2
1780	Intangible assets		5,091	-	2,088	-
1840	Deferred income tax assets	6(25) 6(10),	41,788	1	88,270	1
1900	Other non-current assets	(13)	107,876	1	32,398	-
15XX	Total non-current assets		<u>872,252</u>	<u>12</u>	<u>858,557</u>	<u>11</u>
1XXX	Total assets		<u>\$ 7,325,115</u>	<u>100</u>	<u>\$ 7,801,487</u>	<u>100</u>

(Continued)

Kung Sing Engineering Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 310,000	4	\$ 390,000	5
2130	Contract liabilities-current	6(18)	200,838	3	779,814	10
2150	Notes payable		437,835	6	252,085	3
2170	Accounts payable		495,027	7	633,654	8
2200	Other payables		41,999	-	36,953	1
2230	Current income tax liabilities		1,005	-	10,590	-
2250	Provisions for liabilities-current	6(13)	43,416	1	7,132	-
2280	Lease liabilities-current		14,541	-	14,410	-
2300	Other current liabilities	6(12),7	<u>292,171</u>	<u>4</u>	<u>92,336</u>	<u>1</u>
21XX	Total current liabilities		<u>1,836,832</u>	<u>25</u>	<u>2,216,974</u>	<u>28</u>
Non-current liabilities						
2540	Long-term borrowings	6(12)	62,556	1	100,000	1
2550	Provisions for liabilities-non-current	6(13)	75,041	1	110,294	2
2570	Deferred income tax liabilities	6(25)	332	-	-	-
2580	Lease liabilities-non-current		27,190	-	27,339	-
2600	Other non-current liabilities		<u>38,775</u>	<u>1</u>	<u>62,764</u>	<u>1</u>
25XX	Total non-current liabilities		<u>203,894</u>	<u>3</u>	<u>300,397</u>	<u>4</u>
2XXX	Total liabilities		<u>2,040,726</u>	<u>28</u>	<u>2,517,371</u>	<u>32</u>
Equity						
Share capital						
3110	Common stock	6(15)	4,922,802	67	4,922,802	63
Capital surplus						
3200	Capital surplus	6(16)	519	-	519	-
Retained earnings						
3310	statutory surplus reserve	6(17)	83,054	1	79,967	1
3350	Undistributed earnings		257,165	4	244,869	3
Other equity						
3400	Other equity		<u>20,849</u>	<u>-</u>	<u>35,959</u>	<u>1</u>
31XX	Total equity attributable to owners of the parent		<u>5,284,389</u>	<u>72</u>	<u>5,284,116</u>	<u>68</u>
3XXX	Total equity		<u>5,284,389</u>	<u>72</u>	<u>5,284,116</u>	<u>68</u>
Significant contingent liabilities and unrecognized contract commitments						
		9				
3X2X	Total liabilities and equity		<u>\$ 7,325,115</u>	<u>100</u>	<u>\$ 7,801,487</u>	<u>100</u>

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

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

Items	Note	Years ended December 31			
		2022		2021	
		Account	%	Account	%
4000 Operating revenue	6(18)	\$ 4,625,514	100	\$ 3,607,070	100
5000 Operating cost	6(23)(24)	(4,405,589)	(95)	(3,299,148)	(91)
5900 Gross profit		<u>219,925</u>	<u>5</u>	<u>307,922</u>	<u>9</u>
Operating expenses	6(23)(24)				
6100 Selling expenses		(2,020)	-	(2,057)	-
6200 General and administrative expenses		(173,616)	(4)	(173,534)	(5)
6450 Expected credit impairment loss	6(18),12(2)	(14,200)	-	(61,669)	(2)
6000 Total operating expenses		<u>(189,836)</u>	<u>(4)</u>	<u>(237,260)</u>	<u>(7)</u>
6900 Operating income		<u>30,089</u>	<u>1</u>	<u>70,662</u>	<u>2</u>
Non-operating income and expenses					
7100 Interest income	6(19)	31,957	-	1,999	-
7010 Other income	6(20)	18,019	-	23,159	-
7020 Other gains and losses	6(21)	(11,955)	-	(10,997)	-
7050 Financial costs	6(22)	(10,298)	-	(6,557)	-
7000 Total non-operating income and expenses		<u>27,723</u>	<u>-</u>	<u>7,604</u>	<u>-</u>
7900 Net profit (loss) before tax		<u>57,812</u>	<u>1</u>	<u>78,266</u>	<u>2</u>
7950 Income tax expenses	6(25)	(47,050)	(1)	(43,979)	(1)
8200 Net profit (loss) for the period		<u>\$ 10,762</u>	<u>-</u>	<u>\$ 34,287</u>	<u>1</u>
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(14)	\$ 5,776	-	(\$ 142)	-
Unrealized gains and losses from investments in equity instruments measured at fair value through other					
8316 comprehensive income	6(6)	(15,110)	-	(14,393)	-
Income tax of related to components of other comprehensive income that will not					
8349 be reclassified to profit or loss	6(25)	(1,155)	-	28	-
8300 Other comprehensive income (net)		<u>(\$ 10,489)</u>	<u>-</u>	<u>(\$ 14,507)</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 273</u>	<u>-</u>	<u>\$ 19,780</u>	<u>1</u>
Net profit (loss) attributable to:					
8610 Owners of the parent		<u>\$ 10,762</u>	<u>-</u>	<u>\$ 35,181</u>	<u>1</u>
8620 Non-controlling equity		<u>\$ -</u>	<u>-</u>	<u>(\$ 894)</u>	<u>-</u>
Total comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 273</u>	<u>-</u>	<u>\$ 20,674</u>	<u>1</u>
8720 Non-controlling equity		<u>\$ -</u>	<u>-</u>	<u>(\$ 894)</u>	<u>-</u>
9750 Basic earnings (losses) per share	6(26)	<u>\$ 0.02</u>		<u>\$ 0.07</u>	
9850 Diluted earnings (losses) per share	6(26)	<u>\$ 0.02</u>		<u>\$ 0.07</u>	

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent								
Note	Common stock	Retained earnings			Unrealized gains and losses from financial assets at fair value through other comprehensive income	Total	Non-controlling equity	Total equity
		capital reserve	statutory surplus reserve	Undistributed earnings				
For the year ended December 31, 2021								
	\$ 4,475,274	\$ 519	\$ -	\$ 799,673	\$ 46,802	\$ 5,322,268	\$ 253,646	\$ 5,575,914
	-	-	-	35,181	-	35,181	(894)	34,287
6(6)	-	-	-	(114)	(14,393)	(14,507)	-	(14,507)
	-	-	-	35,067	(14,393)	20,674	(894)	19,780
6(17)	-	-	79,967	(79,967)	-	-	-	-
	-	-	-	(58,178)	-	(58,178)	-	(58,178)
	447,528	-	-	(447,528)	-	-	-	-
	-	-	-	(3,550)	3,550	-	-	-
6(29)	-	-	-	(648)	-	(648)	-	(648)
6(29)	-	-	-	-	-	-	(252,752)	(252,752)
	<u>\$ 4,922,802</u>	<u>\$ 519</u>	<u>\$ 79,967</u>	<u>\$ 244,869</u>	<u>\$ 35,959</u>	<u>\$ 5,284,116</u>	<u>\$ -</u>	<u>\$ 5,284,116</u>
For the year ended December 31, 2022								
	<u>\$ 4,922,802</u>	<u>\$ 519</u>	<u>\$ 79,967</u>	<u>\$ 244,869</u>	<u>\$ 35,959</u>	<u>\$ 5,284,116</u>	<u>\$ -</u>	<u>\$ 5,284,116</u>
	-	-	-	10,762	-	10,762	-	10,762

Other comprehensive income for the period	6(6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,621</u>	<u>(15,110)</u>	<u>(10,489)</u>	<u>-</u>	<u>(10,489)</u>
Total comprehensive income for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>15,383</u>	<u>(15,110)</u>	<u>273</u>	<u>-</u>	<u>273</u>
Earnings Appropriation and Distribution:	6(17)								
Reversal of special reserve		<u>-</u>	<u>-</u>	<u>3,087</u>	<u>(3,087)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022		<u>\$ 4,922,802</u>	<u>\$ 519</u>	<u>\$ 83,054</u>	<u>\$ 257,165</u>	<u>\$ 20,849</u>	<u>\$ 5,284,389</u>	<u>\$ -</u>	<u>\$ 5,284,389</u>

The accompanying notes are an integral part of these individual financial statements.

Kung Sing Engineering Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

	Note	For the years ended December 31	
		2022	2021
<u>Cash Flows from Operating Activities</u>			
Net profit before tax		\$ 57,812	\$ 78,266
Adjustments			
Adjustments to reconcile profit			
Valuation of losses on financial assets at fair value through profit or loss	6(21)	9,077	-
Depreciation (including right-of-use assets and investment property)	6(21)(23)	36,748	30,677
Amortization	6(23)	2,000	2,174
Expected credit impairment loss	12(2)	14,200	61,669
Interest expense	6(22)	10,298	6,557
Interest income	6(19)	(31,957)	(1,999)
Dividend income	6(20)	(8,727)	(3,363)
Impairment loss on property, plant and equipment	6(21)	1,919	9,762
Gains on disposal of property, plant and equipment	6(21)	-	(667)
Reversal gains on investment property impairment	6(21)	-	(1,053)
Gains on rent concessions	6(20)	(180)	(154)
Lease Modification Benefit	6(8)	(34)	(6)
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets		393,993	305,709
Accounts receivable		(172,284)	(210)
Other receivables		(9,111)	9,079
Inventories		-	45,654
Prepayments		6,356	(3,703)
Other current assets		-	(116)
Cost of fulfilling contracts		(27,492)	(21,006)
Net changes in operating liabilities			
Contract liabilities		(578,976)	(480,091)
Notes payable		185,750	(77,786)
Accounts payable		(138,627)	(8,790)
Other payables		4,616	(40,542)
Provisions for liabilities		1,031	(68,195)
Other current liabilities		227	(438)
Net defined benefit liabilities		(3,543)	(3,329)
Cash outflows generated from operations		(246,904)	(161,901)
Interest received		31,937	1,980
Interest paid		(9,688)	(6,831)
Dividend received		8,727	3,363
Income tax paid		(11,077)	(168)
Income tax refunded		3,817	-
Net cash outflows from operating activities		(223,188)	(163,557)

(Continued)

Kung Sing Engineering Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2022	2021
<u>Cash Flows From Investing Activities</u>			
Acquisition of financial assets at fair value through profit or loss		(\$52,945)	\$ -
Disposal of financial assets at fair value through profit or loss		23,502	-
Disposal of financial assets at fair value through other comprehensive profit or loss	6(6)	-	6,450
To acquire financial assets at amortised cost		(2,311,687)	(2,807,643)
Disposal of financial assets acquired at amortized cost		2,804,965	2,470,779
Proceeds from acquisition of property, plant and equipment	6(27)	(45,627)	(25,283)
Proceeds from disposal of property, plant and equipment		-	667
Proceeds from acquisition of intangible assets	6(27)	(3,391)	(1,518)
Margin deposits increase		(181,709)	(114,505)
Margin deposits decrease		130,866	261,153
Decrease in other non-current assets		-	6,510
Disposal of non-current assets to be sold		25,153	
Obtaining the equity price of the subsidiary		-	(253,400)
Net cash inflows (outflows) from investing activities		<u>389,127</u>	<u>(456,790)</u>
<u>Cash Flows From Financing Activities</u>			
Borrow short-term borrowings	6(28)	880,000	465,000
Repayment of short-term borrowings	6(28)	(960,000)	(140,000)
Borrow long-term borrowings	6(28)	70,611	100,000
Repayment of long-term borrowings	6(28)	(75,500)	(4,609)
Increase in deposits received	6(28)	340,952	36,837
Decrease in deposits received	6(28)	(190,213)	(27,344)
Lease liability principal payments	6(28)	(14,415)	(12,242)
Pay cash dividends	6(17)(28)	-	(58,178)
Net cash inflows from financing activities		<u>51,417</u>	<u>359,464</u>
Increase (Decrease) in cash and cash equivalents for the period		217,356	(260,883)
Cash and cash equivalents balance at beginning of the period		<u>1,663,888</u>	<u>1,924,771</u>
Cash and cash equivalents balance at end of the period		<u>\$ 1,881,244</u>	<u>\$ 1,663,888</u>

The accompanying notes are an integral part of these individual financial statements.

Kung Sing Engineering Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. History of the Company

- (1) Kung Sing Engineering Corporation (the "Company") was established in February 1947. The main business activities of the Company and its subsidiaries (the "Group") are the construction and repairing of roads and bridges as well as development of house and building.
- (2) The Company's shares had been listed and traded on Taipei Exchange since November 18, 1999 and was officially terminated on December 18, 2012 then have been listed and traded on the Taiwan Stock Exchange.

2. The Date and Procedure of Authorization for Issuance of the Financial Statements

The consolidated financial statements were reported to and issued by the Board of Directors on March 14, 2023.

3. Application of New Standards, Amendments and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, "Index to Conceptual Framework"	January 1, 2022
Amendments to IAS 16, " Real property, plant and equipment: the price before reaching the intended state of use"	January 1, 2022
Amendments to IAS 37, "Onerous contract - cost of fulfilling the contract"	January 1, 2022
Annual Improvement for 2018-2020 Cycle	January 1, 2022

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, "Accounting policy disclosure"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12, "Deferred income tax relating to assets and liabilities arising from a single transaction"	January 1, 2023

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined by International Accounting Standards Board
Amendments to IFRS 16, "Lease liabilities in sale and leaseback"	January 1, 2024
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS 1, "Classification of Current or Non-current Liabilities"	January 1, 2024
Amendments to IAS 1, "Non-current liabilities with contractual terms"	January 1, 2024

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - a. Financial assets at fair value through profit or loss.
 - b. Financial assets at fair value through other comprehensive income.
 - c. Defined benefit liabilities recognized based on the net amount of pension plan assets deduct present value of defined benefit obligation
- B. The preparation of financial statements in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of the consolidated financial statements
 - a. All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - b. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - c. Components of profit and loss and other comprehensive income are attributable to the parent company’s owners and non-controlling equity; the total comprehensive income is also attributable to the parent company’s owners and non-controlling equity, even if it leads to a loss balance of non-controlling equity.
 - d. When the Group loses the control of the subsidiary, the remaining investment in the previous subsidiary is remeasured at fair value and recognized in the fair value of the originally recognized financial assets or the

cost of the originally recognized investment affiliate or joint venture. The difference between fair value and book value is recognized in current profit and loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as the basis for the Group to directly dispose of the related assets or liabilities, that is, if the profits or losses previously recognized in other comprehensive income will be reclassified as profit or loss when the related assets or liabilities are disposed of. When the Group loses the control of the subsidiary, the Group will reclassify the profit or loss from equity to profits or losses.

B. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Business nature	Ownership (%)		Note
			December 31, 2022	December 31, 2021	
The Company	Chan Pang Industrial Co., Ltd.	Houses and buildings development, leasing and investment	100	100	
As above	Kung Sing Development Co., Ltd.	Houses and buildings development, leasing and investment	100	100	

C. Subsidiaries not included in the consolidated financial statements

None.

D. Adjustments for subsidiaries with different balance sheet dates

None.

E. Significant restrictions on subsidiaries' ability to transfer funds to parent company

None.

F. Subsidiaries that have non-controlling equity that are material to the Group

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation at the balance sheet date are recognized in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are

recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- D. All foreign exchange gains and losses are presented in the comprehensive income statement within “other gains and losses”.

(5) Classification of current and non-current items

As the operating cycle for construction contracts usually exceeds one year, the Group uses the operating cycle as its criteria for classifying current and non-current assets and liabilities related to construction contracts. For other assets and liabilities, the criterion is one year:

- A. Assets that meet one of the following criteria are classified as current assets:

- a. Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- b. Assets held mainly for trading purposes;
- c. Assets that are expected to be realized within twelve months from the balance sheet date;
- d. Cash and cash equivalents, excluding restricted cash that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Those that do not meet the above-mentioned criteria are classified as non-current assets.

- B. Liabilities that meet one of the following criteria are classified as current liabilities:

- a. Liabilities that are expected to be settled within the normal operating cycle;
- b. Liabilities arising mainly from trading purposes;
- c. Liabilities that are to be settled within twelve months from the balance sheet date;
- d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Those that do not meet the above-mentioned criteria are classified as non-current liabilities.

(6) Cash equivalents

Equivalent cash refers to short-term and highly liquid investments that can be converted into fixed amounts of cash at any time with minimal risk of value changes (including fixed deposits within 12 months of the contract period)

(7) Financial assets at fair value through profit or loss

- A. These are financial assets that are not measured at amortized cost or at fair value through other comprehensive profit or loss.
- B. The Group uses transaction date accounting for financial assets measured at fair value through profit or loss that conform to customary transactions.

- C. The Group measures it at fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss, and subsequently measured at fair value, with the benefit or loss recognized in profit or loss.
- D. When the right to receive dividends is established, the economic benefits related to the dividends are likely to flow in, and the amount of dividends can be measured reliably, the Group recognizes dividend income in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized in revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets measured at amortised cost

- A. Refers to those who meet the following conditions at the same time:
 - a. The financial asset is held under an operating model whose purpose is to collect contractual cash flows.
 - b. The contractual terms of the financial asset generate cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.
- B. The Group uses trade date accounting for financial assets measured at amortised cost in accordance with trading conventions.
- C. The Group measures its fair value plus transaction costs at the time of original recognition, and subsequently recognizes interest income and impairment losses during the circulation period using the effective interest method and amortization procedure. Losses are recognised in profit or loss.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to unconditionally receive consideration in exchange for transferred goods or services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into

consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) Leasing arrangements (lessor)-operating lease

During the lease term, the gains of operating lease deduct incentives given to lessee is recognized in current income on a straight-line basis over the lease term.

(14) Inventory

- A. The land held for construction site and the construction in progress are initially recorded at cost. The land held for construction site is transferred to the construction in progress when it is actively developed, and the interest is capitalized during the period from the time of active development or construction work to the completion date.
- B. At the end of the period, we adopt the item-by-item comparison method to compare the cost to the net realizable value. The net realizable value is the balance, under normal circumstances, the estimated selling price deducts the costs and the sales expenses still required to complete the construction.

(15) Non-current assets for sale (or disposal groups)

Non-current assets for sale (or disposal groups) are classified as assets for sale when the carrying amount is mainly recovered through sales transactions rather than continuously use and highly likely to be sold, and is decided by the amount of book value or fair value deducts cost of sale.

(16) Property, plant and equipment

- A. Property, plant and equipment are recorded on an acquisition cost basis.
- B. Subsequent costs are included in the asset's carrying amount or recognized in a separate, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land, property, plant and equipment apply cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Building and structure	37-53 years
Machine equipment	3-7 years
Transportation Equipment	4-6 years
Other equipment	3-9 years

(17) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

- A. Lease assets are recognized in a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized in expense on a straight-line basis over the lease term.
- B. Lease liabilities are recognized at present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments conclude:
- Fixed payments deducts any lease incentives receivable.
 - Variable lease payments depend on an index or a rate.
- The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost, including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized in an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(18) Investment property

The investment property is stated initially at cost and measured subsequently by cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 or 53 years.

(19) Intangible assets

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

(20) Impairment of non-financial assets

The Group assesses the recoverable amounts of those assets where there is an indication that they are impaired at each balance sheet date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value deducts costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(21) Borrowings

Borrowings are long-term and short-term borrowings from bank. Borrowings are recognized initially at fair value deducts transaction costs. Subsequently, for any difference between the proceeds after deduction of transaction costs and the redemption value is recognized in interest expense in profit or loss by effective interest method during amortization process in circulation period.

(22) Notes and accounts payable

- A. Accounts payable are liabilities for purchasing of raw materials, goods or services and notes payable those resulting from operating and non-operating activities.
- B. The short-term accounts and notes payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(23) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) Provisions for liabilities

Provisions (including warranty liabilities, onerous contract, contingent liabilities of lawsuit, etc.) are recognized when the Group has a present legal or constructive obligation due to past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions for liabilities are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. Provisions for liabilities are not recognized for future operating losses.

(25) Employee benefits

- A. Short-term employee benefits
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized in expense in that period when the employees render service.

B. Pensions

a. Defined contribution plans

The contributions are recognized in pension expense when they are due on an accrual basis. Prepaid contributions are recognized in an asset to the extent of a cash refund or a reduction in the future payments.

b. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date deducts the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the consolidated balance sheet date).

(b) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Prior period service costs are recognized immediately in profit or loss.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized in expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. In addition, some employee are paid by stock, and the basis for calculating the number of shares is the closing price of the day before the resolution date of the Board of Directors.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. The deferred income tax is

not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(27) Common stock capital

Common stocks are classified as equity and directly attributable to incremental costs of issuing of new shares. The net amount after deducting income tax is recognized in the equity as a proceeds deduction.

(28) Revenue recognition

- A. Project revenue from construction contracts
 - a. The Group is engaged in civil projects construction. As the assets have been controlled by customers, the income is recognized gradually on the basis of the proportion of the engineering valuation and estimation progress to the total contract proceeds or contract milestones. When the completion of the contract performance obligations cannot be reasonably measured, contract revenue is only recognized within the scope of predictably recoverable cost.
 - b. Contract is composed of fixed price and variable consideration. Variable consideration (such as contract change order, subsidy or incentive calculated by the days of construction period extension) is estimated by the expected value or the most likely amount based on the past experience. The Group only recognizes the contract revenue when the amount is highly likely not to be material reversal. The customers pay the contract proceed according to the agreed payment schedule, when the service provided by the Group exceeds the payables, the Group recognizes the contract revenue. When the payables exceed the service provided by the Group, the Group recognizes the contract revenue liabilities.
 - c. The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever

there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

d. Cost of customer contract

When the cost and contract generated from fulfilling the customer contract, or the identifiable, and predictably recoverable resources can be expected to satisfy performance obligations in the future, the Group recognizes the cost of fulfilling the contract as assets

B. Land development, housing construction and sale

a. The Group operates land development and housing construction recognizes profit when the control of real estate is transferred to customers. As for the sale contract, until the transfer of the legal ownership of the real estate to the customer, the Group has an enforceable right to the contract payment. Therefore, profit is recognized at the timing when the legal ownership is transferred to the customer.

b. Profit is measured by the amount agreed in the contract. The customer pays the contract proceed when the legal ownership of the real estate is transferred. In rare cases, the Group has agreed with customers to defer the payment time, but the deferred repayment period does not exceed 12 months. Judging that the contract does not have a significant financial component, so the consideration amount will not be adjusted.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of the consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Construction contract

The management assesses and judges estimated total cost and contract items by the characteristics of different projects, the estimated procurement amount, the construction period and the construction method. In case of changes in contract work, subsidies and incentives for construction period extension, the recognized construction revenue may be affected. The transaction proceeds of unfulfilled obligation of the Group's construction contract are described in Note 6 (18).

(2) The achievability of deferred income tax assets

Deferred tax asset is recognized only if it is likely to be sufficient taxable income used to deduct temporary differences. The assumptions about expected future revenue growth, profit margin and available income tax credits used to assess the achievability of deferred tax assets involved subjective judgment of the management. Any change regarding economic environment and law may cause significant adjustments to deferred income tax assets.

As at December 31, 2022, the deferred income tax assets recognized by the Group amounted to NT\$41,788.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Check deposits and demand deposits	\$ 1,868,324	\$ 1,639,525
Cash on hand and revolving funds	12,920	6,363
Fixed deposit	-	18,000
	<u>\$ 1,881,244</u>	<u>\$ 1,663,888</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. There has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss – current (2021:None)

	<u>December 31, 2022</u>
Mandatory financial assets at fair value through profit or loss	
Listed company stock	\$ 30,793
Evaluation Adjustment	(10,427)
	<u>\$ 20,366</u>

- A. The Group's financial assets measured at fair value through profit or loss were recognized as net (loss) in profit or loss in 2022 by NT(\$6,961).
- B. The financial assets measured at fair value through profit or loss held by the Group have not been provided as pledge guarantees.
- C. Please refer to Note 12 (2) for information on the credit risk information of financial assets measured at fair value through profit or loss.

(3) Financial assets at amortised cost - current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Reserve account deposits	\$ 1,570,091	\$ 2,223,000
pledged time deposit	225,415	65,784
	<u>\$ 1,795,506</u>	<u>\$ 2,288,784</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
interest income	\$ 3,187	\$ 1,232

- B. Without considering other credit enhancements, the exposure amount that best represents the Group's holdings of financial assets with the greatest credit risk measured at amortized cost is its book value.
- C. Please refer to Note 8 for details on the circumstances in which the Group provides financial assets measured at amortized cost as pledges.
- D. Please refer to Note 12(2) for information on the credit risk of financial assets measured by amortized cost.

(4) Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings and land held for sale	\$ 352,392	\$ 352,392
Construction in progress	65,320	65,320
	<u>\$ 417,712</u>	<u>\$ 417,712</u>

- A. The Group's interest capital amounts for 2022 and 2021 are NT\$0 and NT\$45,654, respectively.
- B. The Group's inventories are not provided as a guarantee.

(5) Cost of fulfilling contracts

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayment for materials and construction	\$ 514,827	\$ 493,608
Prepayment for construction insurance	78,430	72,157
	<u>\$ 593,257</u>	<u>\$ 565,765</u>

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instruments		
Non-listed stocks	\$ 56,496	\$ 56,496
Valuation adjustments	20,849	35,959
	<u>\$ 77,345</u>	<u>\$ 92,455</u>

- A. The Group chooses to classify the equity instruments of strategic investment as financial assets at fair value through other comprehensive income. The fair value of the investments at December 31, 2022 and 2021 were NT\$77,345 and NT\$92,455, respectively.
- B. Due to investment synergy and market environment considerations, the Group disposed of equity securities in 2022 and 2021, and recognized the disposal (gains) as NT\$0 and NT(\$3,550), respectively.
- C. The details of the equity instruments recognized in comprehensive profit or loss at fair value through other comprehensive profit or loss are as follows:

	<u>For the year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Fair value change recognized in other comprehensive income	<u>(\$ 15,110)</u>	<u>(\$ 14,393)</u>
Cumulative gains or losses reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>\$ 3,550</u>
Dividend profit recognized in profit or loss held at end of period	<u>\$ 6,611</u>	<u>\$ 3,363</u>

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

(7) Property, Plant and Equipment

	2022				
	Land	Buildings and structures	Machinery equipment	Transport and other equipment	Total
January 1					
Cost	\$ 342,826	\$ 245,307	\$ 15,404	\$ 27,638	\$ 631,175
Accumulated depreciation and impairment	(79,322)	(93,362)	(4,172)	(8,946)	(185,802)
	<u>\$ 263,504</u>	<u>\$ 151,945</u>	<u>\$ 11,232</u>	<u>\$ 18,692</u>	<u>\$ 445,373</u>
January 1	\$ 263,504	\$ 151,945	\$ 11,232	\$ 18,692	\$ 445,373
Additions	-	3,434	916	16,692	21,042
Depreciation expense	-	(9,349)	(4,418)	(6,692)	(20,459)
Impairment losses	-	(1,919)	-	-	(1,919)
December 31	<u>\$ 263,504</u>	<u>\$ 144,111</u>	<u>\$ 7,730</u>	<u>\$ 28,692</u>	<u>\$ 444,037</u>
December 31					
Cost	\$ 342,826	\$ 248,741	\$ 16,320	\$ 44,330	\$ 652,217
Accumulated depreciation and impairment	(79,322)	(104,630)	(8,590)	(15,638)	(208,180)
	<u>\$ 263,504</u>	<u>\$ 144,111</u>	<u>\$ 7,730</u>	<u>\$ 28,692</u>	<u>\$ 444,037</u>
	2021				
	Land	Buildings and structures	Machinery equipment	Transport and other equipment	Total
January 1					
Cost	\$ 342,826	\$ 245,307	\$ 24,853	\$ 25,101	\$ 638,087
Accumulated depreciation and impairment	(68,617)	(84,901)	(21,747)	(17,090)	(192,355)
	<u>\$ 274,209</u>	<u>\$ 160,406</u>	<u>\$ 3,106</u>	<u>\$ 8,011</u>	<u>\$ 445,732</u>
January 1	\$ 274,209	\$ 160,406	\$ 3,106	\$ 8,011	\$ 445,732
Additions	-	-	10,824	14,459	25,283
Depreciation expense	-	(9,404)	(2,698)	(3,778)	(15,880)
Disposals-cost	-	-	(20,273)	(11,922)	(32,195)
Disposals-accumulated depreciation	-	-	20,273	11,922	32,195
Impairment losses	(10,705)	943	-	-	(9,762)
December 31	<u>\$ 263,504</u>	<u>\$ 151,945</u>	<u>\$ 11,232</u>	<u>\$ 18,692</u>	<u>\$ 445,373</u>
December 31					
Cost	\$ 342,826	\$ 245,307	\$ 15,404	\$ 27,638	\$ 631,175
Accumulated depreciation and impairment	(79,322)	(93,362)	(4,172)	(8,946)	(185,802)
	<u>\$ 263,504</u>	<u>\$ 151,945</u>	<u>\$ 11,232</u>	<u>\$ 18,692</u>	<u>\$ 445,373</u>

- A. The Group uses fair value as the recoverable amount for impairment testing. The Group refers to the evaluation results of independent evaluation experts, the estimated recoverable amount of land, housing and structure is less than the book amount for the year ended December 31, 2022 and 2021. Therefore, the Group recognized impairment losses amounted to NT\$1,919 and NT\$ 9,762.
- B. The property, plant and equipment held by the Group were the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, cost method or income method and classified as the level 3 fair value. The main assumption of the income approach is as follows:
- | | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------|--------------------------|--------------------------|
| Income capitalization rate | 1.79% | 1.59% |
- C. Please refer to Note 8 for the information on the Group's collateral provided by property, plant and equipment.

(8) Leasing arrangements – lessee

- A. The Group leases various assets, including lands, buildings and transportation equipment. Lease contracts are typically made for periods of 2-9 years. Lease terms are negotiated on an individual basis and contain a wide range of different clauses and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The lease period of the machinery equipment and transportation equipment leased by the Group does not over 12 months. Some of the leased assets that are low-value targets, including machinery equipment, transportation equipment and multi-function office machines.
- C. The changes of right-of-use assets are as follows:

	2022			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 31,019	\$ 6,199	\$ 3,954	\$ 41,172
Additions	-	7,540	11,630	19,170
Lease modification	(4,739)	-	-	(4,739)
Depreciation expense	(7,210)	(4,025)	(3,313)	(14,548)
December 31	\$ 19,070	\$ 9,714	\$ 12,271	\$ 41,055

	2021			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 32,743	\$ 883	\$ 2,812	\$ 36,438
Additions	6,325	7,338	3,654	17,317
Lease modification	(159)	-	-	(159)
Depreciation expense	(7,890)	(2,022)	(2,512)	(12,424)
December 31	\$ 31,019	\$ 6,199	\$ 3,954	\$ 41,172

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
<u>Items affect profit or loss for the period</u>		
Interest expense on lease liabilities	\$ 721	\$ 672
Expense on short-term and low-value assets lease contracts	4,242	4,629
Lease Modification Benefit	34	6

E. The Group's total lease cash outflows for the years ended December 31, 2022 and 2021 were NT\$19,378 and NT\$17,543, respectively.

F. The Group adopts the practical expedient approach of "COVID-19 related rent concessions", and recognizes the benefits of changes in lease payments arising from rent concessions as other income in 2022 and 2021 at NT\$180 and NT\$154, respectively.

(9) Investment property

	2022		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 115,734	\$ 115,202	\$ 230,936
Accumulated depreciation and impairment	-	(74,135)	(74,135)
	<u>\$ 115,734</u>	<u>\$ 41,067</u>	<u>\$ 156,801</u>
January 1	\$ 115,734	\$ 41,067	\$ 156,801
Depreciation expense	-	(1,741)	(1,741)
December 31	<u>\$ 115,734</u>	<u>\$ 39,326</u>	<u>\$ 155,060</u>
December 31			
Cost	\$ 115,734	\$ 115,202	\$ 230,936
Accumulated depreciation and impairment	-	(75,876)	(75,876)
	<u>\$ 115,734</u>	<u>\$ 39,326</u>	<u>\$ 155,060</u>

	2021		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 127,734	\$ 128,355	\$ 256,089
Accumulated depreciation and impairment	-	(72,815)	(72,815)
	<u>\$ 127,734</u>	<u>\$ 55,540</u>	<u>\$ 183,274</u>
January 1	\$ 127,734	\$ 55,540	\$ 183,274
Transferred to the disposal group for sale	(12,000)	(13,153)	(25,153)
Depreciation expense	-	(2,373)	(2,373)
derogation loss gyration	-	1,053	1,053
December 31	<u>\$ 115,734</u>	<u>\$ 41,067</u>	<u>\$ 156,801</u>
December 31			
Cost	\$ 115,734	\$ 115,202	\$ 230,936
Accumulated depreciation and impairment	-	(74,135)	(74,135)
	<u>\$ 115,734</u>	<u>\$ 41,067</u>	<u>\$ 156,801</u>

- A. The Group signed a real estate sale and purchase agreement in November 2021 to sell investment real estate located in Yongkang District, Tainan City. The total sale price is NT\$27,000. The transaction has been completed in January 2022. Ownership transfer and payment.
- B. Rental income and direct operating expense from the investment property are shown below:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Rental income from investment property	<u>\$ 2,884</u>	<u>\$ 2,758</u>
Direct operating expense arising from the investment property that generated rental income in the period	<u>\$ 2,511</u>	<u>\$ 2,416</u>
Direct operating expense arising from the investment property that did not generate rental income in the period	<u>\$ 170</u>	<u>\$ 1,045</u>

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

	<u>2022</u>	<u>2021</u>
Within a year	\$ 3,103	\$ 378
Two to five years	1,550	536
	<u>\$ 4,653</u>	<u>\$ 914</u>

- D. The fair value of the investment property held by the Group at December 31, 2022 and 2021 were NT\$321,629 and NT\$310,023, respectively, based on the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, cost method, land development analysis method and income method and classified as the level 3 fair value. The main assumption of the income method is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Income capitalization rate	1.77%-1.82%	1.50%-1.97%

- E. The Group uses the fair value as the recoverable amount of the impairment test. The Group refers to the evaluation results of independent evaluation experts. Since the expected recoverable amount of some houses and buildings in 2022 and 2021 is greater than the book value, the impairment reversal benefits are recognized respectively. Total NT\$0 and NT\$1,053
- F. Please refer to Note 8 for the information on the Group's collateral provided by investment property.

(10) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Refundable deposits	\$ 81,614	\$ 30,771
prepaid equipment	24,585	1,518
Net defined benefit assets	1,662	-
Others	15	109
	<u>\$ 107,876</u>	<u>\$ 32,398</u>

Please refer to Note 8 for the information on the Group's collateral provided by restricted cash.

(11) Short-term borrowings

<u>Type</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured borrowings	\$ 160,000	\$ 240,000
Unsecured borrowings	150,000	150,000
	<u>\$ 310,000</u>	<u>\$ 390,000</u>
Interest rate range	1.90%~2.04%	1.34%~1.61%

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

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Repayment period</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Amortized from		
Medium-term secured borrowings	2022 to 2027	\$ 67,668	\$ -
	Amortized from		
“	2015 to 2022	-	72,557
Medium-term secured borrowings	After the project	100,000	100,000

	remittance ratio reaches 20%, it will be repaid in installments according to 30% of the project payment for each phase		
Subtotal		167,668	172,557
Deduct: due within one year (recognized in "Other current liabilities")		(105,112)	(72,557)
		<u>\$ 62,556</u>	<u>\$ 100,000</u>
Interest rate range		1.86%~2.38%	1.75%~1.80%

A. KSC067 joint loan case

a. On June 15, 2020, the Group entered into a joint credit extension agreement with nine financial institutions including Taipei Fubon Commercial Bank, including a medium-term unsecured joint loan, construction performance bond and construction prepayment repayment guarantee, with a total amount of NT\$4,000,000. Until June 30, 2025. The main restriction is that the financial ratios in the annual consolidated financial statements shall be maintained as follows:

- (a) Current ratio (current assets/ current liabilities) shall not be less than 100%.
- (b) Liabilities ratio (total liabilities/ tangible net worth) shall not be greater than 200%.
- (c) Interest protection multiples [(income before tax+ interest expense+ depreciation and amortization)/ interest expense paid in the period] shall not be less than 200%.
- (d) Tangible net worth (net value-intangible assets) shall not be less than NT\$3,500,000

b. As of December 31, 2022, the undrawn loan amount for this joint loan case was NT\$455,000, and the undrawn guarantee amount was NT\$996,064.

- B. In addition to the above-mentioned KCS067 joint loan case, the Group's unused loan limit is NT\$810,000.
- C. Please refer to Note 12 (2) C. c. for details of the liquidity risks.
- D. Please refer to Note 8 for details of the pledge collateral of long-term borrowings.

(13) Provisions for liabilities

	2022		
	Warranty	Engineering loss	Total
January 1	\$ 117,402	\$ 24	\$ 117,426
Additions in the period	1,188	-	1,188
Used and reversed in the period	(133)	(24)	(157)
December 31	<u>\$ 118,457</u>	<u>\$ -</u>	<u>\$ 118,457</u>
Recognized as:			
Provisions for liabilities-current	<u>\$ 43,416</u>	<u>-</u>	<u>\$ 43,416</u>
Provisions for liabilities-non-current	<u>\$ 75,041</u>	<u>-</u>	<u>\$ 75,041</u>

	2021			
	Warranty	Litigation loss	Engineering loss	Total
January 1	\$ 154,821	\$ 30,800	\$ -	\$ 185,621
Additions in the period	30,733	-	2,644	33,377
Used and reversed in the period	(68,152)	(30,800)	(2,620)	(101,572)
December 31	<u>\$ 117,402</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 117,426</u>
Recognized as:				
Provisions for liabilities-current	<u>\$ 7,108</u>	<u>-</u>	<u>\$ 24</u>	<u>\$ 7,132</u>
Provisions for liabilities-non-current	<u>\$ 110,294</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 110,294</u>

A. Warranty

The Group's warranty provision of liabilities is mainly related to the construction contracts, and is estimated upon historical warranty data. The warranty provision of liabilities is expected to expire from 2023 to 2027.

B. Litigation loss

The Group's provision for litigation losses is mainly due to the construction contract's subcontractors and industrial safety incidents, and the most likely litigation losses are listed by the management authority after assessment and legal advice for legal litigations arising from construction-related matters. In March 2021, it paid compensation amounting to NT\$21,699 according to the judgment. The court remanded the case to the High Court for further review, but the parties to the lawsuit reached a settlement in August 2021. The Group paid NT\$2,100 to terminate the case, and based on the above results, it recognized liabilities and prepared to reverse the income of NT\$7,001.

C. Engineering loss

The Group's provision for construction losses is mainly for the performance of construction contract obligations, and the estimated input cost exceeds the contract price that can still be collected.

(14) Net defined benefit liability

A. Refined benefit plan

- a. The Company has a defined benefit pension plan in accordance with the "Labor Standards Act", covering all regular employees' service years prior to the enforcement of the "Labor Pension Act" on July 1, 2005 and service years

thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31 every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

b. Recognized amount in the balance sheet

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	(\$ 68,908)	(\$ 69,697)
Fair value of plan assets	<u>70,570</u>	<u>62,040</u>
Net defined benefit liability	<u>\$ 1,662</u>	<u>(\$ 7,657)</u>

c. Changes in net defined benefit liability

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance, January 1	(\$ 69,697)	\$ 62,040	(\$ 7,657)
Service cost for the period	(318)	-	(318)
Interest income (expense)	(447)	401	(46)
Upfront Service Cost	<u>498</u>	<u>-</u>	<u>498</u>
	<u>(69,964)</u>	<u>62,441</u>	<u>(7,523)</u>
Remeasurements:			
Return on plan assets	-	4,720	4,720
Changes in financial assumptions	2,709	-	2,709
Experience adjustments	<u>(1,653)</u>	<u>-</u>	<u>(1,653)</u>
	<u>1,056</u>	<u>4,720</u>	<u>5,776</u>
Pension fund contribution	<u>-</u>	<u>3,409</u>	<u>3,409</u>
Balance, December 31	<u>(\$ 68,908)</u>	<u>\$ 70,570</u>	<u>\$ 1,662</u>
	<u>2021</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance, January 1	(\$ 68,129)	\$ 57,285	(\$ 10,844)
Service cost for the period	(385)	-	(385)
Interest income (expense)	<u>(202)</u>	<u>171</u>	<u>(31)</u>
	<u>(68,716)</u>	<u>57,456</u>	<u>(11,260)</u>
Remeasurements:			
Return on plan assets	-	839	839
Changes in demographic	(117)	-	(117)

assumptions

Changes in financial assumptions	1,917	-	1,917
Experience adjustments	(2,781)	-	(2,781)
	(981)	839	(142)
Pension fund contribution	-	3,745	3,745
Balance, December 31	(\$ 69,697)	\$ 62,040	(\$ 7,657)

d. The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

e. The principal actuarial assumptions used are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Discount rate	<u>1.20%</u>	<u>0.65%</u>
Future salary increase rate	<u>2.00%</u>	<u>2.00%</u>

(a) Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

(b) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,160)</u>	<u>\$ 1,192</u>	<u>\$ 1,179</u>	<u>(\$ 1,153)</u>
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,338)</u>	<u>\$ 1,378</u>	<u>\$ 1,356</u>	<u>(\$ 1,324)</u>

- I. The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.
- II. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- f. Expected contribution to the pension plans of the Group for the year ending December 31, 2023 is NT\$974.
- g. As of December 31, 2022, the weighted average duration of the pension plan is seven years. The analysis of pension paid expired date is as follows:

Less than 1 year	\$	4,161
1-2 years		6,281
2-5 years		9,681
Beyond 5 years		53,810
	<u>\$</u>	<u>73,933</u>

- B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were NT\$7,862 and NT\$7,021, respectively

(15) Common stock

- A. As of December 31, 2022 and 2021, the Company's authorized capital was NT\$6,000,000, divided into 600,000 thousand shares. The paid-up capital was NT\$4,922,802. The par value per share is NT\$10. The payment of issued shares of the Company has been received.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2022 <u>(thousand shares)</u>	2021 <u>(thousand shares)</u>
January 1	492,280	447,527
Turn surplus into capital increase	-	44,753
December 31	<u>492,280</u>	<u>492,280</u>

- B. On July 22, 2021, the company passed the resolution of the shareholders' meeting to transfer the capital with the undistributed surplus of NT\$447,528. The above-mentioned capital increase project has been registered and completed.

(16) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-up capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-up capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

- A. The Company's Articles of Incorporation stipulates that if there is a surplus in the annual final accounts, the tax should be paid first to make up for the previous year's losses, and 10% of the remaining amount shall be set aside as legal reserve. If there is still a surplus plus beginning distributable surplus, the Board of Directors will propose some resolution and decide by Board of Shareholders. The shareholder dividends are distributed in two ways: stock dividends and cash dividends. The proportion of cash dividends is not less than 10% of the total shareholder dividends. When necessary, the surplus distribution could be set aside as special reserve before the dividend distribution.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The company's shareholders' meeting resolutions on June 29, 2022 and July 22, 2021, the profit distribution proposals for 2021 and 2020 are as follows:

	2021		2020	
	Amount NTD	Dividends per share (NTD)	Amount NTD	Dividends per share (NTD)
Make up for previous year losses	\$ -		\$208,357	
Appropriation of statutory surplus reserve	3,087		79,967	
stock dividend	-	\$ -	447,528	\$ 1.00
cash dividend	-	-	58,178	0.13

a. Please refer to Note 6(15) for details on capital increase from undistributed surplus.

b. The above-mentioned information on the distribution of earnings passed by the board of directors and the resolutions of the shareholders' meeting can be inquired at the Public Information Observatory

E. As of March 14, 2023, the company's 2022 profit distribution proposal has not been resolved by the board of directors.

(18) Operating revenue

A. Details of customer contract revenue

The Group's revenue is derived from providing gradual transfer of engineering control over time and generating related revenue in each reportable sector:

Timing of revenue recognition

	For the year ended December 31, 2022	For the year ended December 31, 2021
Over time	\$ 4,625,514	\$ 3,551,030
At a point time	-	56,040
	<u>\$ 4,625,514</u>	<u>\$ 3,607,070</u>

B. Contract assets and liabilities

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

	December 31, 2022	December 31, 2021
Contract assets:		
Engineering construction contract	\$ 1,462,270	\$ 2,041,508
Project retention receivables	423,248	344,099
Deduct: allowance for loss	(479,678)	(571,574)
	<u>\$ 1,405,840</u>	<u>\$ 1,814,033</u>
Contract liabilities :		
Construction contract	<u>\$ 200,838</u>	<u>\$ 779,814</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 186,676
2023	105,625	-
After 2024 (inclusive)	<u>317,623</u>	<u>157,423</u>
	<u>\$ 423,248</u>	<u>\$ 344,099</u>

- (b) The Group's contract assets and liabilities change over time with the contraction performance obligations and timing of customer payment. In 2022 and 2021, due to the re-evaluation of the future recoverability of the invested construction costs according to the recent court judgments, etc., the Group has set aside asset impairment losses of NT\$14,200 and NT\$54,453 respectively, resulting in changes in contract assets. Please refer to the progress of the relevant litigation. Explanation of Note 12(2) and Note 9.
- (c) The contract bond of the Group on January 1, 2021 is NT\$1,259,905, and the initial contract bond. The government subscription deposits in 2022 and 2021 are NT\$779,814 and NT\$1,259,905 respectively.
- (d) Transaction price to non-performance obligation
As of December 31, 2022, the total amount of the transaction price to non-performance obligation was NT\$15,077,210. The Company will gradually recognize revenue as the completion of the construction projects. The projects will be completed from 2023 to 2027.
- (e) Please refer to Note 12 (2) for details of the contract assets credit risk.

(19) Interest income

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Interest income from bank deposits	\$ 2,441	\$ 658
Interest income from financial assets measured at amortised cost	3,187	1,232
Deferred interest income	26,299	-
Other interest income	<u>30</u>	<u>109</u>
	<u>\$ 31,957</u>	<u>\$ 1,999</u>

(20) Other income

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Dividend income	\$ 8,727	\$ 3,363
Rental income	6,964	5,044
Gains on rent concessions	180	154
Debt provision is transferred to income	-	7,001
Others	<u>2,148</u>	<u>7,597</u>
	<u>\$ 18,019</u>	<u>\$ 23,159</u>

(21) Other gains and losses

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Losses on financial assets at fair value through profit or loss	(\$ 9,077)	\$ -
Impairment losses on property, plant and equipment	(1,919)	(9,762)
Investment property depreciation expense	(1,741)	(2,373)
Gains (Losses) on foreign exchange, net	1,012	(391)
Lease Modification Benefit	34	6
Investment property Gains on reversal of impairment (loss)	-	1,053
Gains (Losses) on disposal of property, plant and equipment	-	667
Others	<u>(264)</u>	<u>(197)</u>
	<u>(\$ 11,955)</u>	<u>(\$ 10,997)</u>

(22) Financial cost

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Interest expense:		
Bank loan	\$ 9,575	\$ 5,885
Interest expense on lease liabilities	721	672
Others	<u>2</u>	<u>-</u>
6	<u>\$ 10,298</u>	<u>\$ 6,557</u>

(23) Additional information on the nature of expenses

	<u>For the year ended December 31 , 2022</u>	<u>For the year ended December 31 , 2021</u>
Engineering cost	\$ 4,140,780	\$ 3,099,683
Employee benefit expense	304,517	238,498
Depreciation of property, plant and equipment	20,459	15,880
Depreciation expense of right-of-use assets	14,548	12,424
Amortization expense	<u>2,000</u>	<u>2,174</u>
	<u>\$ 4,482,304</u>	<u>\$ 3,368,659</u>

(24) Employee benefit expense

	For the year ended December 31, 2022	For the year ended December 31, 2021
Wages and salaries	\$ 256,795	\$ 195,833
Labor and health insurance fees	24,838	19,822
Pension costs	7,728	7,437
Directors' remunerations	2,285	3,767
Other personnel expenses	12,871	11,639
	<u>\$ 304,517</u>	<u>\$ 238,498</u>

A. In accordance with the Company's Articles of Incorporation, if there is a balance after deducting accumulated deficits from profit, the Company shall distribute bonus to the employees and pay remuneration to the directors that should be 3%-5% and not be higher than 3%, respectively, of the total distributed amount.

B. The estimation amount of the employees' compensation for the years ended December 31, 2022 and 2021 were NT\$3,043 and NT\$2,485, respectively; the estimation amount of the directors' remuneration were NT\$0 and NT\$1,242, respectively. The above-mentioned amount are recognized in wages and salaries. In 2022, the employee remuneration is estimated at 5% and 0% based on the profit of the year and directors' remuneration. According to the resolution of the board of directors on March 14, 2023, employee remuneration will be paid in cash.

The 2021 employee remuneration and directors' remuneration as resolved by the board of directors are NT\$2,485 and NT\$1,242 respectively, which are consistent with the amounts recognized in the 2021 financial report.

Information of the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained from the "Market Observation Post System".

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Current tax:		
Surtax on undistributed retained earnings	\$ 1,389	\$ 10,758
Income tax in the previous year was below (exceeded) estimates	<u>2</u>	<u>2</u>
	<u>1,391</u>	<u>10,760</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>45,659</u>	<u>33,219</u>
Income tax expense	<u>\$ 47,050</u>	<u>\$ 43,979</u>

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

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Remeasurement of defined benefit obligation	<u>\$ 1,155</u>	<u>(\$ 28)</u>

B. Reconciliation between income tax expense and accounting profit:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Income tax calculated by applying statutory rate to the net loss before tax	\$ 11,562	\$ 15,642
Income loss that is exempt from taxation under the income tax law	81	(803)
Income calculated according to the income tax law	27,253	79
Expenses that should be excluded according to the income tax law	300	-
ITax losses not recognized as deferred tax assets	510	-
Deferred income tax assets not recognized for temporary differences	3,735	18,636
Changes in assessment of realizability of deferred tax assets	2,218	(335)
Income tax on undistributed surplus	1,389	10,758
Income tax (high) underestimation for previous years	<u>2</u>	<u>2</u>
Income tax expense	<u>\$ 47,050</u>	<u>\$ 43,979</u>

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

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 1,896	\$ -	\$ -	\$ 1,896
Unrealized gross profit	3,450	-	-	3,450
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	1,530	(707)	(823)	-
Investment property impairment losses	418	-	-	418
Others	1,388	2	-	1,390
-Tax losses	76,399	(44,954)	-	31,445
Subtotal	<u>\$ 88,270</u>	<u>(\$ 45,659)</u>	<u>(\$ 823)</u>	<u>\$ 41,788</u>
Deferred tax liabilities:				
-Temporary differences:				
Net defined benefit assets	\$ -	\$ -	(\$ 332)	(\$ 332)
Total	<u>\$ 88,270</u>	<u>(\$ 45,659)</u>	<u>(\$ 1,155)</u>	<u>\$ 41,456</u>

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 16,360	(\$ 14,464)	\$ -	\$ 1,896
Unrealized litigation loss	6,160	(6,160)	-	-
Unrealized gross profit	3,943	(493)	-	3,450
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	2,168	(666)	28	1,530
Investment property impairment losses	1,232	(814)	-	418
Others	1,379	9	-	1,388
-Tax losses	87,185	(10,786)	-	76,399
Subtotal	<u>\$ 121,616</u>	<u>(\$ 33,374)</u>	<u>\$ 28</u>	<u>\$ 88,270</u>
Deferred tax liabilities:				
-Temporary differences:				
Foreign long-term investments income	(\$ 155)	\$ 155	\$ -	\$ -
Total	<u>\$ 121,461</u>	<u>(\$ 33,219)</u>	<u>\$ 28</u>	<u>\$ 88,270</u>

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

December 31, 2022				
<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiry year</u>
The Company:				
2017 (approved number)	\$ 310,913	\$ 28,653	-	2027
2018 (approved number)	128,575	128,575	-	2028
2020 (number of declarations)	1,246,240	1,246,240	1,246,240	2030
Subsidiaries:				
2013-2020	41,701	41,701	41,701	2023-2030
2022	2,552	2,552	2,552	2032

December 31, 2021				
<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiry year</u>
The Company:				
2017 (approved number)	\$ 310,913	\$ 255,542	-	2027
2018 (approved number)	128,575	128,575	-	2028
2020 (number of declarations)	1,246,240	1,246,240	1,246,240	2030
Subsidiaries:				
2012-2020	52,956	50,959	50,959	2022-2030

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ 784,548</u>	<u>\$ 762,235</u>

- F. The Group's profit-seeking enterprise income tax has been approved by the tax collection authorities:

	<u>Income tax approved year</u>
The Company	2020
Kung Sing Development Co., Ltd.	2020
Chan Pang Construction Co., Ltd.	2020

(26) Earnings per share

	For the year ended December 31, 2022		
		Retrospective adjustment	
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (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>
	For the year ended December 31, 2021		
		Retrospective adjustment	
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent company for the period	\$ 35,181	492,280	\$ <u>0.07</u>
<u>Diluted earnings per share</u>			
Effect from dilutive potential ordinary shares-employees' compensation	-	846	
Profit attributable to ordinary shareholders of the parent plus potential ordinary shares	\$ <u>35,181</u>	<u>493,126</u>	\$ <u>0.07</u>

(27) Supplemental cash flow information

Investing activities that are only partially paid in cash

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of real estate, plant and equipment	\$ 21,042	\$ 25,283
Add: end-of-period advance payment for equipment	24,585	-
Less: Prepayment at the beginning of the period for equipment	-	-
Cash payment in the current period	<u>\$ 45,627</u>	<u>\$ 25,283</u>
acquisition of intangible assets	\$ 4,909	\$ -
Add: end-of-period advance payment for equipment	-	1,518
Less: Prepayment at the beginning of the period for equipment	<u>(1,518)</u>	-
Cash payment in the current period	<u>\$ 3,391</u>	<u>\$ 1,518</u>

(28) Changes in liabilities from financing activities

	<u>2022</u>					Total liabilities
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Dividends payable</u>	<u>from financing activities</u>
January 1	\$ 390,000	\$ 172,557	41,749	\$ 74,257	\$ -	\$ 678,563
Changes in cash flow from financing activities	(80,000)	(4,889)	(14,415)	150,721	-	51,417
Interest expense paid (Note)	-	-	(721)	-	-	(721)
Changes in other non-cash items	-	-	15,118	-	-	15,118
December 31	<u>\$ 310,000</u>	<u>\$ 167,668</u>	<u>\$ 41,731</u>	<u>\$ 224,978</u>	<u>\$ -</u>	<u>\$ 744,377</u>
	<u>2021</u>					Total liabilities
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Deposits received</u>	<u>Dividends payable</u>	<u>from financing activities</u>
January 1	\$ 65,000	\$ 77,166	\$ 36,839	\$ 64,764	\$ -	\$ 243,769
Changes in cash flow from financing activities	325,000	95,391	(12,242)	9,493	(58,178)	359,464
Interest expense paid (Note)	-	-	(672)	-	-	(672)
New additions in this period	-	-	17,317	-	-	17,317
Changes in other non-cash items	-	-	507	-	58,178	58,685
December 31	<u>\$ 390,000</u>	<u>\$ 172,557</u>	<u>\$ 41,749</u>	<u>\$ 74,257</u>	<u>\$ -</u>	<u>\$ 678,563</u>

Note: Cash flow from operating activities listed in the table

(29) Transactions with non-controlling interests

On August 10, 2021, the Group purchased a 40% equity interest in the consolidated subsidiary Kung Sing Development Co., Ltd. (hereinafter referred to as "Kung Sing Development") for NT\$253,400 in cash. The book value of the non-controlling interests of Kung Sing Development on the acquisition date was NT\$252,752. The impact of changes in the interests of Industrial Development in 2021 on the owners' equity attributable to the parent company is as follows:

	<u>August 10, 2021</u>
Carrying amount of non-controlling interests acquired	\$ 252,752
Payment of consideration for non-controlling interests.	<u>(253,400)</u>
The difference between the actual acquisition price of the subsidiary's equity and the book value (reduction of "retained surplus")	<u>(\$ 648)</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Chen, huang-ming	Key member of the management
Chiang, chi-ching	Key member of the management
P'an, kuan-ju	Key member of the management
Ch'uan fu Investment Co., Ltd.	Serving as a director of the company
Pan, jun-rong	Other related party

(2) Significant transactions with related parties

A. Endorsement and guarantees

- a. Part of the borrowings amount of the Group was endorsement guarantee provided by the Group's key members of management and other related parties.
- b. The borrowings amount of mutual endorsement guarantee provided by the Group and other related parties in accordance with the borrowings contract was NT\$173,936 and the actual used amount was NT\$108,000 and NT\$146,840, respectively at December 31, 2022 and 2021.

B. Joint construction and separate sale

The Group signed a joint construction contract with other related parties. By means of joint construction and separate sale, the land of Daihudi subsection, Ankeng section, Sindian Dist. is provided by other related parties, and the houses are constructed by the Group. The construction project was completed in 2018. On December 31, 2022 and 2021, the group paid on behalf of other related parties for the cost of joint construction, respectively NT\$88,775 and NT\$76,822, listed as "other receivables", and the amount collected from other related parties were calculated in NT\$ \$0 and NT\$5, listed as "Other Current Liabilities".

C. Property transaction

a. Acquired equity in subsidiary

On December 29, 2020, the Board of Directors, with reference to the expert evaluation report, decided to increase its shareholding in the subsidiary Industry and Information Development by a total of 28,000,000 shares. Please refer to Note 4 (29) for details. The company signed an equity transaction contract on May 14, 2021. The base date of equity transfer is the date of payment of the price. 16,000,000 shares and 5,000,000 shares were obtained from related parties, Quanfu Investment Co., Ltd. and Mr. Pan Guanru, respectively. The transaction prices were NT\$144,800 and NT\$45,250 respectively.

b. Disposal of financial assets

On October 20, 2021, the company signed an equity transaction contract to sell all financial assets held at fair value through other comprehensive gains and losses at NT\$6,450 to the related person Mr. Pan Junrong, Also recognized as a disposal loss amounting to NT\$3,550, please refer to Note 6 (6) for details.

The above property transactions with related parties have all been paid and received, and the registration of changes has been completed.

(3) The compensation of key member of the management

	For the year ended December 31, 2022	For the year ended December 31, 2021
Short-term employee benefits	\$ 12,971	\$ 13,607
Post-employment benefits	320	281
	<u>\$ 13,291</u>	<u>\$ 13,888</u>

8. Pledged Assets

The details of the pledged assets are as follows:

Items	Book value		Purpose
	December 31, 2022	December 31, 2021	
Financial assets measured at amortised cost	\$ 1,795,506	\$ 2,288,784	Provided to banks and owners as a guarantee for short-term loans and construction performance guarantees
Property, plant and equipment	315,746	323,752	Short-term loan guarantee
Investment property	105,265	106,729	Long and short term loan guarantee
	<u>\$ 2,216,517</u>	<u>\$ 2,719,265</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

- (1) As of December 31, 2022, the amount issued but not used for purchasing goods by the Group was NT\$176,111, and the amount of the guarantee issued by the bank for the performance, advance construction receipts and warranty was NT\$3,101,184.

- (2) As of December 31, 2022, the amount of notes issued by the Group due to the lease contracts was NT\$8,950.
- (3) During the construction of the main bridge section and the connecting road of the Tamjiang Bridge contracted by the company, the employees of the subcontracted construction company were accidentally injured during the construction in October 2019, and then they were reported to Shilin on February 22, 2021. The court claimed that the company should be liable for damages, and the lawsuit amount was NT\$22,276. Since the infringing act is the subcontracting construction company, and if the company is jointly and severally liable for compensation by the court, it will claim compensation from the subcontracting construction company according to the contract, so the company has not provided for the relevant compensation losses. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- (4) The engineering litigation judgment and status as of December 31, 2022:
 - A. The Company won the tender for the Muzha Extension (Neihu line) CB410 Section Project put out by the Eastern District Project Office (First District Project Office for now), Department of Rapid Transit Systems, Taipei City Government. Both sides signed the project procurement contract on June 12, 2003. The Company has completed all projects and received the qualification approval from the Eastern District Project Office in December 2012. However, after the commencement of construction on June 16, 2003, various factors that are not attributable to the Company have affected the implementation of the aforementioned projects. The Eastern District Project Office approved 278 and 122 days extensions of time with the total number of 400 days. The related costs and expense increased due to the extensions of time. According to the contract, it should be adjusted to increase the project payment to indemnify. In December 2010, the Company filed a lawsuit with the Taipei District Court to the Eastern District Project Office for payment of indemnification of extensions of time and the prejudgment interest. The related judgments are as follows:
 - (a) The trial court judged that the First District Project Office shall pay the Company NT\$17,723 and 386 thousand US dollars and the prejudgment interest and dismissed other suits.
 - (b) Both the Company and the First District Project Office appealed against the judgment. The court of second instance has not yet rendered a judgment.
 - B. The Company won the tender for the Taoyuan International Airport Access MRT System Construction Project CE02 Project put out by the Bureau of High Speed Rail, MOTC. The Company has completed all projects and received the qualification approval from the Bureau of High Speed Rail in May 2017. During the construction period, various factors that are not attributable to the Company have affected the implementation of the aforementioned projects. The Bureau of High Speed Rail approved 788 days extensions of time. But the two parties cannot reach neither an agreement nor a bargain price about the expense adjustment of work item, quantity and price. The company appealed to the Taipei District Court to pay the high-speed railway engineering bureau to pay the compensation for the extension of the construction period. In June 2022, the Taiwan High Court made a second-instance judgment that the high-speed rail engineering bureau should pay the company NT\$28,563 and its delayed interest. The High Speed Railway

Engineering Bureau refused to accept the judgment and filed an appeal in July 2022. As of the date of the audit report, no judgment has been made.

- C. The Company won the tender for the Linkou Thermal Power Plant Refurbishment and Expansion Project-Diversion Dike of Water Outlet, Northern Jetty, Coal Unloading Pier, Connection Bridge and Other Associated Facilities Construction Project put out by the Northern Construction Office, Department of Nuclear and Fossil Power Projects, Taiwan Power Company. Both sides signed the project procurement contract on June 3, 2010. The Company has completed all projects and received the qualification approval from the Northern Construction Office. However, after the commencement of construction on June 14, 2010, various factors such as adverse weather conditions, rough sea, obstruction from fishermen, typhoon, the Chinese New Year and design modification that are not attributable to the Company have affected the implementation of the critical path of the project. The Northern Construction Office approved 19 times extensions of time with the total number of 568.5 days and the Company early completed the project at August 17, 2017. Therefore, the actual extensions of time is 561 days. Besides, after the commencement of construction, fishermen had repeatedly protested against Taipower from April 2011 to February 2013 and thus the Company changed the construction methods, resulted in increase of performance cost of construction ships halt and rubble land transportation. The related costs and expense increased due to the extensions of time and fishermen protest. According to the contract, it should be adjusted to increase the project payment to indemnify. In February 2020, the company filed a lawsuit with the New Taipei District Court in accordance with the law to request the Northern Construction Department to pay the extension of the construction period, the compensation due to the fishermen's protest and the interest on the delay. . The above-mentioned extension of construction period and fishermen's protest lawsuits were rejected by the second-instance court in November 2021 and January 2022 respectively. The company was not satisfied with the above judgment and appealed to the Supreme Court. The court of third instance has not yet made a judgment, and the fishermen's protest lawsuit was rejected by the court of third instance in April 2022, and the whole case came to an end.
- D. The company won the bid for the "Consolidated Coal Bunker System Project of Linkou Power Plant Renewal and Expansion Plan" by the Nuclear Thermal Power Engineering Office of Taipower Corporation. The two parties signed a project procurement contract on May 10, 2012. The company has completed all the projects. And passed the acceptance by the Nuclear Fire Engineering Office.
- (a) However, in September 2012, Taipower Company re-contracted the related projects of the "coal conveying belt system" at the same project site to another engineering company (hereinafter referred to as "Company A") for detailed design and construction. On May 6, the company was instructed to hand over part of the project land for the common use of Company A, resulting in a lack of space for the original design and construction, thus resulting in related costs. In July 2021, the company filed a petition with the Taipei District Court for Taipower to increase the payment for the project. As of the date of the audit report, the court of first instance has not yet made a judgment.

- (b) After the company completed the B-column coal bunker in November 2016, Taipower Corporation considered it necessary to use it first. After the five cylindrical coal bunkers of column B started to operate, the B4 cylindrical coal bunker transverse beam (Transverse Beam) was damaged since May 26, 2017. Taipower Company instructed the company to repair, strengthen the structure and add the transverse beam structure. For matters such as stainless steel cladding on the surface, the back-end electric company only paid additional construction costs for the additional surface stainless steel cladding part of the horizontal beam structure, and did not pay additional fees for repairing and structural reinforcement in accordance with its instructions. In August 2021, the company filed a petition with the Taipei District Court for Taipower to increase the payment for the project. As of the date of the audit report, the court of first instance has not yet made a judgment.
- (c) The original completion date of the project was June 19, 2016. However, due to the typhoon, the delay in the provision of information by the interface manufacturer, and the delay in the delivery of the land, the work had to be carried out and the project was delayed until the end of the construction period. On March 23, 2021, the party actually completed the overall project, and the actual extension of the construction period was 1,738 days, which eventually resulted in an increase in contract performance costs such as site management fees and shared head office management fees. In August 2021, the company filed a petition with the Taipei District Court for Taipower to increase the payment for the project. As of the date of the audit report, the court of first instance has not yet made a judgment.
- E. The company won the bid for the "New Construction of Suhua Highway Guanyin Tunnel on the Taiwan-Kowloon Line" (hereinafter referred to as the "Guanyin Tunnel") and the "Taiwan-Kowloon Line Suhua Highway Guanyin Tunnel" (hereinafter referred to as the "Guanyin Tunnel") and the "Taiwan-Kowloon Line Suhua Highway Gufeng Tunnel New Construction" (hereinafter referred to as "Gufeng Tunnel"), the two parties signed a project contract on October 18, 2011. Our company won the bid for Guanyin Tunnel and Gufeng Tunnel, which were publicly tendered by the General Administration of Highways. Our company has completed all The project has passed the acceptance inspection in February and August 2020 respectively.
- (a) The company was instructed by the owner to thicken the clapboard and shorten the spacing of the clapboard, resulting in a huge increase in the cost of the project and an increase in the construction cost due to the geological differences in the work area. Appeal to the General Administration of Highways to increase the payment for the project. According to the judgment of the first-instance court in March 2022, the General Administration of Highways should pay the company NT\$9,766 and delayed interest. The company was dissatisfied with the results of these judgments and appealed to the Taiwan High Court in April 2022. As of the date of the audit report, the court of second instance has not yet made a judgment.
- (b) Since the construction of Guanyin Tunnel and Gufeng Tunnel started on November 1, 2011, due to the influence of factors that cannot be attributed to

the company, such as typhoons, collapse, changes in laws and designs, etc. during the construction period, the construction has been approved by the General Administration of Highways. The number of days of extension is 1,141 days and 1,363 days respectively. The Company has increased related costs due to the extension of the above construction period. In November 2020, the company applied to the Yilan District Court to request the General Administration of Highways to pay compensation for the extension of the construction period. As of the date of the inspection report, the court of first instance has not yet made a judgment.

- (c) During the construction period, the Company requested the General Administration of Highways to pay part of the project payment due to the upcoming contract change, but the General Administration of Highways regarded the above amount as a capital loan and interest calculation during the assessment and inspection, and directly deducted the payable construction fee. Due to the unsuccessful objection to the General Administration of Highways, the company applied to the Yilan District Court in April 2021 for the payment of the above-mentioned difference from the General Administration of Highways. In June 2022, the District Court of Yilan, Taiwan ruled in the first instance that the General Administration of Highways should return this part of the project cost and pay regarding the delayed interest, the General Administration of Highways refused to accept the judgment and filed an appeal in July 2022. As of the date of the audit report, the court of second instance has not yet made a judgment.
- (d) During the construction of the Gufeng Tunnel, the General Administration of Highways has handled contract changes several times. Among them, the Company and the General Administration of Highways could not reach an agreement on the price of each project for some contract changes, resulting in the negotiation. In response to the price difference of insufficient payment from the General Administration of Highways, the company filed a petition with the Yilan District Court in July 2021 for the General Administration of Highways to increase the payment for the project. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- (e) Due to the various excavation work of Guanyin Tunnel and Gufeng Tunnel, the current conditions are affected by factors such as “land acquisition, building demolition, Hanben cultural relics, harsh geological conditions in the tunnel, etc.” The operation could not proceed smoothly according to the original approved overall construction plan. As a result, the cost of labor and equipment for various tunnel excavation projects has increased significantly. In July 2021, the company applied to the Yilan District Court to request the General Administration of Highways to increase the payment for the project. As of the date of the inspection report, the court of first instance has not yet made a judgment.
- (f) The Guanyin Tunnel and Gufeng Tunnel have to pay extra electricity charges due to the multiple extension of the construction period, and the project contract only includes electricity charges for the "tunnel excavation" project, but other non-excavation projects do not include electricity charges, which are missing items. As a result, the related costs and expenses have increased and cannot be priced. In July 2021, the company applied to the Yilan District Court to request

the General Administration of Highways to increase the payment for the project. As of the date of the inspection report, the court of first instance has not yet made a judgment.

- F. The company won the bid for the Taichung Port Branch of Taiwan Port Affairs Co., Ltd. (hereinafter referred to as "Taichung Port Company") "Taichung Port No. 106 New Project". The two parties signed a project procurement contract on December 12, 2017, and the company has completed the project. All projects have passed the inspection and acceptance of Taichung Port Branch.
- (a) However, Taichung Port Branch did not fulfill the owner's obligation to provide construction land before the start of construction, and due to force majeure factors such as weather and walruses, there were reasons for extension of the construction period that were not attributable to the company, and the scheduled completion date of the contract was postponed to 2020 On April 18, 2010, the construction period was extended for 168 days. Due to the extension of the above-mentioned construction period, the company has increased related costs and expenses. In June 2022, the company appealed to the Taichung District Court for the payment of compensation for the extension of the construction period by the Taichung Port Branch. As of the date of the audit report, the court of first instance has not yet made a judgment.
- (b) Due to the soil quality problems in the construction area of the project, the overall scope of the company's construction area is subject to hazards and risk factors, which makes the construction of the project difficult, and because of the aforementioned soil quality problems, the construction cannot be carried out according to the original design plan. It needs to be based on the actual situation on the site. Change the construction plan and extend the project construction period during the period, the above-mentioned reasons not attributable to the company resulted in an increase in the company's related engineering costs. In June 2022, the company filed a lawsuit with the Taichung District Court for the Taichung Port Branch to increase the as of the audit report date, the court of first instance has not yet made a judgment.

The Company measured the recoverable amount of contract assets and recognized the difference in impairment loss. Please refer to Note 12 (2) for details. The Company measures assets impairment amount during the financial reporting periods according to litigation progress, possible request amount and materiality, but the final amount will be determined after the conclusion of the relevant cases. The Company will actively defend the aforementioned litigation cases that are still in progress. Due to the unpredictable nature of legal cases, there is currently no accurate estimate of possible losses (in case). And the Company has made necessary adjustments in appropriate ways. The Company wouldn't rule out the possibility of inability to win in all related cases. Although the judgment amount will affect the recoverability of the contract assets, it wouldn't affect the normal operation of the Company.

10. Significant Losses from Natural Disaster

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. The net debt is calculated as total borrowings include "current and non-current borrowings" as shown in the consolidated balance sheet deduct cash. Total capital is calculated as "equity" as shown in the consolidated balance sheet add net debt.

The Group's strategy in 2022 remains the same as in 2021, and the Group is committed to maintaining the debt-to-capital ratio under 50%. The Group's debt-to-capital ratio is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowing	\$ 477,668	\$ 562,557
Deduct: Cash	(1,881,244)	(1,663,888)
Net debt (A)	<u>\$ -</u>	<u>\$ -</u>
Total equity(B)	<u>\$ 5,284,389</u>	<u>\$ 5,284,116</u>
Total capital (C=A+B)	<u>\$ 5,284,389</u>	<u>\$ 5,284,116</u>
Debt-to-capital ratio (A/C)	-	-

(2) Financial risk of financial instruments

A. Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 20,366	\$ -
Financial assets at fair value through other comprehensive income -	\$ 77,345	\$ 92,455
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,881,244	\$ 1,663,888
Financial assets at amortized cost	1,795,506	2,288,784
Accounts receivable	172,494	210
Contract assets (construction retention)	423,248	344,099
Other receivables	95,474	86,343
Other current assets	21,000	21,000
Refundable deposits (Other non-current assets)	81,614	30,771
	<u>\$ 4,470,580</u>	<u>\$ 4,435,095</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 310,000	\$ 390,000
Notes payable	437,835	252,085
Accounts payable	495,027	633,654
Other payables	41,999	36,953
Deposit deposit (Other current liabilities)	186,203	19,150
Long-term borrowings (including due within one year)	167,668	172,557
Deposit deposit (Other non-current liabilities)	38,775	55,107
	<u>\$ 1,677,507</u>	<u>\$ 1,559,506</u>
Lease liabilities (including due within one year)	<u>\$ 41,731</u>	<u>\$ 41,749</u>

B. Risk management policies

The Group's daily operations expose it to a variety of financial risks including market risk, credit risk and liquidity risk. Risk management is performed by the finance department of the Group under policies approved by the Board of Directors.

C. Nature and degrees of significant financial risks

a. Market risk:

Foreign exchange rate risk

- (a) The Group's business involves certain non-functional currencies, mainly Renminbi, and is therefore subject to exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2022		
	Amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,734	4.41	\$ 51,726
USD : TWD	33	30.71	1,011
EUR : TWD	543	32.72	17,751

(Foreign currency: functional currency)	December 31, 2021		
	Amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,557	4.34	\$ 50,204
USD : TWD	33	27.68	903

- (b) The realized and unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to NT\$1,012 and NT(\$391), respectively.

- (c) The appreciation or depreciation of major foreign currency monetary items impacted the Group's profit and loss at the end of the financial statements period. When the New Taiwan dollar appreciates or depreciates by 1%, the Group's income will decrease or increase by NT\$705 and NT\$511, respectively for the years ended December 31, 2022 and 2021.

Price risk

- (a) The equity instruments that the Group is exposed to price risk are bills held through profit or loss Financial assets measured at fair value and at fair value through other comprehensive income of financial assets.
- (b) The Group mainly invests in equity instruments issued by domestic companies, the price of these equity instruments the price will be affected by the uncertainty of the future value of the investment target. If the price of these equity instruments increases or decreases by 1%, and all other factors remain unchanged, the after-tax net profit for 2022 and 2021 will come from fair value through profit and loss the profit or loss of the equity instrument will increase or decrease NT\$204 and NT\$0

respectively; the combined profit and loss will increase or decrease by NT\$773 and NT\$925 respectively.

Cash flow and fair value interest rate risk

The long-term and short-term borrowings borrowed by the Group are floating-rate debts and are not expected to generate significant interest rate risk. Changes in market interest rate will cause the effective interest rate of borrowing to change, which will cause fluctuations in future cash flows. Calculated based on the Group's borrowings balance at December 31, 2022 and 2021, if the market interest rate increases or decreases by 0.25%, the Group's cash outflow will increase or decrease by NT\$1,194 and NT\$1,406 respectively.

b. Credit risk

(a) The Group's credit risk arises from the failure of customers or counterparties to financial instruments to fulfill their contracts. The risk of financial loss to the Group due to contractual obligations mainly comes from the inability of the counterparty to clear repayment of accounts receivable and construction retention receivables paid according to the payment terms and classified as amortized financial assets measured at post-cost. In addition, the Group's investment through profit and loss is measured at fair value the trading partners of large amount of financial assets and certificates of deposit are financial institutions with good credit quality. The possibility of default is expected to be very low.

(b) The Group adopts the assumptions under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. And the default occurs when the contract payments are past due over 30 days after final acceptance by owners.

(c) The debtors of the Group's accounts receivable and contract assets are mainly government units or state-owned enterprises, etc. The Group applies the simplified approach to estimate expected credit loss under the loss rate methodology basis. The loss ratio method of the Group as at 31 December 2022 and 2021 is as follows:

December 31, 2022	Accounts receivable	Contract retention	Contract assets	Total
Expected loss rate	-	-	32.8%	
Total book value	\$ 172,494	\$ 423,248	\$ 1,462,270	\$ 2,058,012
Loss allowance	\$ -	\$ -	\$ 479,678	\$ 479,678

December 31, 2021	Accounts receivable	Contract retention	Contract assets	Total
Expected loss rate	-	-	28.0%	
Total book value	\$ 210	\$ 344,099	\$ 2,041,508	\$ 2,385,817
Loss allowance	\$ -	\$ -	\$ 571,574	\$ 571,574

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

(d) The deposit provided by the Group due to performance obligations, the evaluation of the counterparty's credit and transaction records, it is expected that the possibility of irreversible recovery is small. However, due to the individual assessment in 2022 and 2021, due to the operating difficulties of the transaction object, the possibility of recovering the money is low, and it is recognized as expected Credit losses are calculated at NT\$0 and NT\$7,216, respectively.

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

	December 31, 2022	December 31, 2021
January 1	\$ 578,790	\$ 517,121
Impairment loss	14,200	61,669
Write-offs in this period	(106,096)	-
December 31	\$ 486,894	\$ 578,790

c. Liquidity risk

(a) Cash flow forecasting is performed in the operating entities of the Group and aggregated by the financial department. The Group's financial department monitors rolling forecasts of the Group's liquidity requirements to ensure that has sufficient cash to support operating requirements. The detail of unused borrowing amount is as follows:

	December 31, 2022	December 31, 2021
Floating rate		
Due within one year	\$ 570,000	\$ 820,000
Due beyond one year	1,265,000	925,000
	\$ 1,835,000	\$ 1,745,000

- (b) The Group's non-derivative financial liabilities are analyzed by the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 312,717	\$ -	\$ -	\$ -
Notes payable	437,835	-	-	-
Accounts payable	330,331	-	127,443	37,253
Other payables	41,999	-	-	-
Lease liabilities(including due within one year)	15,178	14,229	9,604	3,922
Long-term borrowings (including due within one year)	106,589	6,302	6,302	53,683

Non-derivative financial liabilities:

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 392,557	\$ -	\$ -	\$ -
Notes payable	252,085	-	-	-
Accounts payable	462,418	87,341	77,740	6,155
Other payables	36,953	-	-	-
Lease liabilities	14,969	10,268	9,506	8,273
Long-term borrowings (including due within one year)	75,286	100,159	-	-

(3) Fair value information

- A. The different levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market where asset or liability transactions occur with sufficient frequency and quantity to provide pricing information on a continuous basis. The fair value of the Group's investment in financial assets at fair value through other comprehensive income is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data. Part of the fair value of the Group's investment in financial assets at fair value through other comprehensive income is included in Level 3.

- B. Financial instruments not measured at fair value

The Group includes cash and cash equivalents, accounts receivable, other receivables, other current assets, other non-current assets, long-term and short-term borrowings, notes payable, accounts payable, other payables, other current liabilities (excluding a The carrying amount of long-term borrowings due

during the year) and other non-current liabilities (excluding net defined benefit liabilities) is a reasonable approximation of fair value.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>
<u>December 31, 2021</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	\$ -	\$ -	\$ -	\$ -
Financial assets measured at fair value through other comprehensive income-equity securities	-	-	92,455	92,455
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,455</u>	<u>\$ 92,455</u>

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

- a. The Group used market quotation (closing price) as the inputs of fair values (that is, Level 1).
- b. Except for the above-mentioned financial instruments with active markets, the fair value of the other financial instruments (that is, Level 3) is evaluated according to the evaluation model.

The output of the evaluation model is estimated value, and the evaluation technique may not reflect all the factors in financial instruments that the Group holds. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management holds that it is appropriate and necessary to present the fair value of the financial instruments fairly in the balance sheet. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.

- c. The Group's fair value of equity securities classified as Level 3 are regularly evaluated by the financial department of the Group or evaluated by an external appraiser. The information of evaluation models is as follows:

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

	Fair value at December 31, 2021	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 89,063	comparable transaction method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
	<u>3,392</u>	Net assets value method	NA	NA	NA
	<u>\$ 92,455</u>				

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

	Input value	Change	December 31, 2022		December 31, 2021	
			Recognized in other comprehensive profit or loss		Recognized in other comprehensive profit or loss	
			favorable change	unfavorable change	favorable change	unfavorable change
monetary assets						
Equity Instrument	fluidity	±5%	<u>\$ 5,278</u>	<u>(\$ 5,278)</u>	<u>\$ 6,362</u>	<u>(\$ 6,362)</u>

- F. The Group's investment property measured by cost is regularly evaluated by external financial experts. The fair value information is described in Note 6 (9).
- G. There was no transfer between level 1 and level 2 for the years ended December 31, 2022 and 2021.

- H. The table below shows the changes in level 3 for the years ended December 31, 2021 and 2020:

	<u>2022</u>	<u>2021</u>
January 1	\$ 92,455	\$ 113,298
Acquired in the period	-	(6,450)
Recognized in unrealized investment gains and losses of equity instruments measured by fair value through other comprehensive income	(15,110)	(14,393)
December 31	<u>\$ 77,345</u>	<u>\$ 92,455</u>

- I. There was no transfer into or out from the level 3 for the years ended December 31, 2022 and 2021.

(4) Other things

Due to the epidemic of novel coronavirus pneumonia in 2022, the Group has cooperated with a number of epidemic prevention measures promoted by the government. Under the restrictions of relevant regulations, the construction progress has also been carried out as expected. As the Group's working capital is still sufficient and payment collection is normal, and various operating departments of the Group are operating normally, it is assessed that the novel coronavirus pneumonia epidemic will not have a material impact on the Group's financial position and financial performance in 2022.

13. Supplementary Disclosure
- (1) Significant transactions information
- A. Loans to others: None.
 - B. Endorsement and guarantee for others: Please refer to Table 1.
 - C. Holding of marketable securities at the end of the period (investment in subsidiaries and affiliates excluded): Please refer to Table 2.
 - D. Accumulated acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of paid-up capital: None.
 - E. Acquisition of real estate exceeding NT\$300 million or 20% of paid-up capital: None.
 - F. Disposal of real estate exceeding NT\$300 million or 20% of paid-up capital: None.
 - G. Purchases or sales of goods from related parties exceeding NT\$100 million or 20% of paid-up capital: None.
 - H. Receivables from related parties exceeding NT\$100 million or 20% of paid-up capital: None.
 - I. Derivative instruments transaction: None.
 - J. The statement and amount of significant inter-company transactions and business relationship: Please refer to Table 3.
- (2) Information of reinvestment business
Names, locations and other information of investee companies (investees in Mainland China excluded): Please refer to Table 4.
- (3) Information of investments in Mainland China
- A. Basic information of investing in Mainland companies: None.
 - B. Significant transactions, either directly or indirectly through a third area business, with reinvesting investee companies in the Mainland: None.
- (4) Information of major shareholders
Information of major shareholders: Please refer to Table 5.

14. Segments Information

(1) General information

- A. The management of the Group has identified which segments should be reported based on the information used by the operating decision makers.
 B. The Group's operating decision makers operate and manage from a company perspective.

(2) Segments information

The Group's operating decision makers assess the performance of the operating segments based on the segmental income. The segmental income refers to the profits earned by the operating segments to be provided to the chief operating decision makers to allocate resources to the segments and assess performance.

The information of the reportable segments provided to the chief operating decision maker is as follows:

- A. For the year ended December 31, 2022:

	Kung Sing	Chan Pang	Kung Sing Development	Adjustment and charge off	Total
External income	\$ 4,624,692	\$ -	\$ 822	\$ -	\$ 4,625,514
Internal segmental income	-	-	-	-	-
Segmental income	<u>\$ 4,624,692</u>	<u>\$ -</u>	<u>\$ 822</u>	<u>\$ -</u>	<u>\$ 4,625,514</u>
Segments after-tax income	<u>\$ 22,655</u>	<u>(\$ 6,749)</u>	<u>(\$ 5,086)</u>	<u>(\$ 58)</u>	<u>\$ 10,762</u>
Depreciation, impairment and amortization	<u>\$ 54,678</u>	<u>\$ 189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,867</u>
Interest income	<u>\$ 30,457</u>	<u>\$ 1,397</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 31,957</u>
Interest expense	<u>\$ 10,286</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,298</u>
Segments assets	<u>\$ 5,881,179</u>	<u>\$ 831,337</u>	<u>\$ 634,666</u>	<u>(\$ 22,067)</u>	<u>\$ 7,325,115</u>

B. For the year ended December 31, 2021:

	Kung Sing	Chan Pang	Kung Sing Development	Adjustment and charge off	Total
External income	\$ 3,550,232	\$ -	\$ 56,838	\$ -	\$ 3,607,070
Internal segmental income	-	-	-	-	-
Segmental income	<u>\$ 3,550,232</u>	<u>\$ -</u>	<u>\$ 56,838</u>	<u>\$ -</u>	<u>\$ 3,607,070</u>
Segments after-tax income	<u>\$ 31,141</u>	<u>\$ 152</u>	<u>\$ 2,348</u>	<u>\$ 646</u>	<u>\$ 34,287</u>
Depreciation, impairment and amortization	<u>\$ 103,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,229</u>
Interest income	<u>\$ 1,596</u>	<u>\$ 391</u>	<u>\$ 14</u>	<u>(\$ 2)</u>	<u>\$ 1,999</u>
Interest expense	<u>\$ 6,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 2)</u>	<u>\$ 6,557</u>
Segments assets	<u>\$ 6,352,916</u>	<u>\$ 831,547</u>	<u>\$ 639,090</u>	<u>(\$ 22,066)</u>	<u>\$ 7,801,487</u>

(3) Adjustment information of segmental income

- A. The external income reported to the chief operating decision maker is measured in consistent with the income in the income statements.
- B. The reportable segments' performance is assessed by after-tax income. The total income is consistent with the after-tax income of the company's continuing operations, so no adjustment is required.
- C. The total amount of assets provided to the chief operating decision makers is consistent with the measurement of the assets in the financial statements. The adjustment and charge off of the assets of the reportable segments in the period, please refer to Note 14 (2) for details.

(4) Information on products and services

The Group's revenue is mainly generated from construction income and property sale income. Component of revenue is as follows:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Construction contract income	4,624,692	3,550,232
Property developments sale income	-	56,040
Others	<u>822</u>	<u>798</u>
	<u>\$ 4,625,514</u>	<u>\$ 3,607,070</u>

(5) Geographical information

The Company's external customer income and non-current assets are generated in Taiwan.

(6) Major customer information

Information on major customers of the Group for the years ended December 31, 2022 and 2021 is as follows:

	<u>For the year ended December 31, 2022</u>		<u>For the year ended December 31, 2021</u>	
	<u>Income</u>	<u>Segment</u>	<u>Income</u>	<u>Segment</u>
West Coast Expressway Northern Region Temporary Engineering Office, MOTC	2,019,385	Kung Sing	1,685,636	Kung Sing
Taiwan Power Company	882,262	As above	995,518	As above
Taiwan International Ports Co., Ltd	728,373	As above	372,234	As above
Directorate General of Highways, MOTC	354,300	As above	263,268	As above

Kung Sing Engineering Corporation and Subsidiaries
Endorsements and Guarantees for Others
For the Year Ended December 31, 2022
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 1

No.	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 4)	Maximum endorsements/ guarantees amount for the period	Endorsements/ guarantees balance amount at December 31, 2020	Used amount	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China
			Relationship with the endorser/ guarantor	Relationship with the endorser/ guarantor										
1	Kung Sing Development	Note 1	Note 3	9,845,604	173,936	108,000	108,000	108,000	0.03	19,691,208	N	N	N	

Note 1: Kung Sing Development Co., Ltd. and the landowners of the joint construction and separate sale (other related parties-Pan, jun-rong).

Note 2: According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the Company shall not exceed octuple paid-up capital of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed quadruple paid-up capital of the Company. According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the subsidiary shall not exceed octuple paid-up capital of the parent company and the amount of endorsements/guarantees provided by the subsidiary for any single entity shall not exceed quadruple paid-up capital of the parent company.

Note 3: Inter-insurance companies based on contractual requirements for inter-departmental or co-creation between contractors.

Kung Sing Engineering Corporation and Subsidiaries
Holding of Marketable Securities at December 31, 2022 (Investment in Subsidiaries, Affiliates and Joint Ventures Excluded)
December 31, 2022
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 2

Securities held by	Types and names of securities	Relationship with the securities issuer	Account title	At December 31, 2022				Footnote
				Number of shares (thousand shares)	Book value	Ownership (%)	Fair value	
The Company	Kung Ting Steel Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	3,240	\$ 73,901	18.00	\$ 73,901	Note 1
As above	Chieh Pang Management Consultant Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	300	3,444	6.00	3,444	Note 1
As above	Chien Ping Technology Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	370	-	14.23	-	Note 1 and Note 2
					<u>\$ 77,345</u>		<u>\$ 77,345</u>	
Chan Pang Industrial Co., Ltd	China Airlines Company Limited.	None	Financial assets at fair value through profit or loss - current	500	\$ 9,500	-	\$ 9,500	Note 1
As above	Yang ming shipping co., ltd.	As above	Financial assets at fair value through profit or loss - current	100	6,550	-	6,550	Note 1
As above	Taiwan Jingxing Technology Co., Ltd.	As above	Financial assets at fair value through profit or loss - current	20	1,056	-	1,056	Note 1
As above	Evergreen marine co., ltd.	As above	Financial assets at fair value through profit or loss - current	20	3,260		3,260	Note 1
					<u>\$ 20,366</u>		<u>\$ 20,366</u>	

Note 1: No pledge guarantee.

Note 2: The Company has fully recognized the losses due to operating losses.

Kung Sing Engineering Corporation and Subsidiaries
The Statement and Amount of Significant Inter-company Transactions and Business Relationship
December 31, 2022
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 3

No.(Note 1)	Trader	Trade counterpart	Relationship with trader(Note 2)	Transaction statement			The proportion of the amount to consolidated total revenue or total assets (note 3)
				Accounts	Amount	Transaction terms	
0	The Company	Kung Sing Development Co., Ltd.	1	Rent income	\$ 1,537	Note 5	0.03%
1	Kung Sing Development Co., Ltd.	The Company	2	Rent expense	1,537	Note 5	0.03%

Note 1: The business transaction information between the parent company and its subsidiaries should be indicated in the number column respectively. The method of filling in the number is as follows:

- (1) Fill in 0 for the parent company.
- (2) Subsidiaries are numbered sequentially starting from the Arabic numeral 1 according to the company.

Note 2: There are the following three types of relationship with the trader, and the type of indication is sufficient (if it is the same transaction between a parent company and a subsidiary or between subsidiaries, there is no need to disclose it repeatedly. For example: for a transaction between a parent company and a subsidiary company, if the parent company If it has already been disclosed, the part of the subsidiary does not need to be disclosed repeatedly;

Subsidiary-to-subsidiary transactions, if one subsidiary has already disclosed, the other subsidiary does not need to disclose repeatedly):

- (1) Parent company to subsidiary company.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets, if it is an asset and liability item, is calculated by the balance at the end of the period as a percentage of the consolidated total assets; if it is a profit and loss item, the accumulated amount in the period is used to account for the consolidated total. The method of receipt is calculated.

Note 4: The standard for disclosure is those with a transaction amount of NT\$700 or more.

Note 5: Payment is made according to the contract.

Kung Sing Engineering Corporation and Subsidiaries
Names, Locations and Other Information of Investees Companies (Investees in Mainland China Excluded)
December 31, 2022
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 4

Investor	Investee	Location	Main business activities	Initial investment amount		Hold at the end of the period			Profit and loss of the investee for the period	Investment gains and losses recognized for the period	Footnote
				Balance at December 31, 2022	Balance at December 31, 2021	Number of shares (thousand shares)	Ownership (%)	Book value			
The Company	Chan Pang Industrial Co., Ltd.	Taiwan	Construction and development of buildings and houses and general investment	\$ 590,000	\$ 590,000	59,000	100	\$ 824,570	(\$ 6,807)	(\$ 6,807)	Subsidiary
As above	Kung Sing Development Co., Ltd.	Taiwan	Construction and development of buildings and houses	673,400	673,400	70,000	100	609,611	(5,086)	(5,086)	Subsidiary

Information of Major Shareholder
December 31, 2022

Table 5

Name of major shareholder	Shares	
	Holding shares amount (thousand shares)	Ownership(%)
Pan, jun-rong	40,220	8.17
Pan, guan-ru	27,100	5.50
Li, kuei-mei	24,883	5.05