

**Kedge Construction Co., Ltd.**  
**Parent Company Only Financial**  
**Statements and Independent Auditors'**  
**Report**

**For the Years Ended December 31, 2022 and 2021**

**Company Address: 6F., No. 131, Sec. 3, Heping E. Rd., Taipei City, Taiwan,  
R.O.C.**

**Telephone: (02) 23786789**

*The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail*

# Table of Contents

Items	Pages
1. Front Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to Parent Company Only Financial Statements	
(1) Company Overview	8
(2) Approval Date and Procedures of the Financial Report	8
(3) Application of Newly Issued and Revised Standards and Interpretations	8-9
(4) Summary of Significant Accounting Policies	10-19
(5) Significant Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty	19
(6) Explanation of Significant Accounts	20-38
(7) Related-Party Transactions	39-41
(8) Pledged Assets	41
(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	41
(10) Significant Disaster Loss	41
(11) Significant Events after the End of the Financial Reporting Period	41
(12) Others	42-43
(13) Disclosure Notes	
1. Information on Material Transactions	43-44
2. Information on Reinvestment	45
3. Information on Investments in Mainland China	45
4. Information on Major Shareholders	45
(14) Segment Information	45
9. List of Significant Accounting Items	46-52

## **Independent Auditors' Report**

To the Board of Directors of Kedge Construction Co., Ltd.:

### **Audit Opinion**

We have audited the Balance Sheets of Kedge Construction Co., Ltd. as of December 31, 2022 and 2021, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Parent Company Only Financial Statements (including Summary of Significant Accounting Policies) for the annual period from January 1 to December 31, 2022 and 2021.

In our opinion, the aforementioned parent company only financial statements in all material aspects are in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and are sufficient to present the financial position of Kedge Construction Co., Ltd. as of December 31, 2022 and 2021, and its financial performance and cash flows for the annual period from January 1 to December 31, 2022 and 2021.

### **Foundation of Audit Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Auditing Standards. Our responsibility under those standards will be further described in the section titled "Auditor's Responsibilities for the Audit of Parent Company Only Financial Statements." Following the code of professional ethics of accountants, the persons subject to the independence standards of our accounting firm have maintained their independence from the Kedge Construction Co., Ltd. and fulfilled other responsibilities of the standards. We are convinced that we have acquired enough and appropriate audit evidence to serve as the foundation of the audit opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 individual financial statements of Kedge Construction Co., Ltd. These matters were addressed in our audit of parent company only financial statements as a whole and forming our audit opinion. We do not express a separate opinion on these matters. In our judgment, key audit matters that shall be communicated in the audit report are as follows:

#### **1. Construction Contracts**

Please refer to Note 4 (13) "revenue recognition" of the parent company only financial statements for details of the accounting policies related to the building contracts. Please refer to Note 5 of the parent company only financial statements for details of the accounting estimates and assumed uncertainties of estimated total contract cost of the building contracts. Please refer to Note 6 (14) "revenue of the client contracts" of the parent company only financial statements for details of revenue recognition and the accumulated cost incurred.

Description of Key Audit Matters:

The change of the total contract price and planned total cost of the construction contracts involves a high degree of judgment by management. The miscalculation of gross contract revenue may cause material changes in profit and loss during the financial reporting period, and therefore there are significant risks. Also, Kedge Construction Co., Ltd. recognizes the revenue and cost of contracts under construction according to the percentage of completion method, while the degree of completion is calculated based on the proportion of the incurred cost to the estimated total contract cost as of the financial reporting date. The miscalculations disclosed above may cause significant differences in the timing of recognition for profit and loss and the current financial statements.

### Corresponding Audit Procedures:

Our main audit procedures regarding the aforementioned key audit matters included the following:

- Test the internal control and implementation effectiveness of the contract and collection; obtain the detail list of addition and reduction of the total contract price of each construction for the current period; randomly check the external documents such as the contract, agreement, owner's communication or site coordination meeting minutes, as well as the valuation information of each period the condition of the owner's acceptance.
- Sampling evaluates the preparation process of the construction budget of the management team, and sampling tests the effectiveness of its internal control system and implementation; randomly check external documents such as construction price lists, contracts, daily construction reports, invoices, and construction budgets, and check with construction budgets to verify the appropriateness of collection and accumulation of the construction type; checks the pricing information of each period to calculate the percentage of completion of the construction; randomly check and execute the cut-off point test of the construction in progress for the period before and after the balance sheet date.

### **Responsibilities of the Management and Governing Body for the Parent Company Only Financial Statements**

It is the management's responsibility to fairly present the parent company only financial statements in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to sustain essential internal controls respecting the preparation of the parent company only financial statements so as to ensure that there is no material misrepresentation in the parent company only financial statements due to fraud or error.

In the preparation of the parent company only financial statements, the responsibility of management also includes the assessment of the sustainability of going concerned for Kedge Construction Co., Ltd., disclosure of relevant matters, as well as the adoption of the accounting base for continuing operations, unless the management intends to liquidate the Kedge Construction Co., Ltd. or terminate the business, or there is no practicable measure other than liquidation or termination of the business.

The governing bodies of Kedge Construction Co., Ltd. (including the Audit Committee or the supervisors) have the responsibility to oversee the process by which the financial statements are prepared.

### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

The purpose of our audit is to provide reasonable assurance that the parent company only financial statements as a whole do not contain material misrepresentation arising from fraud or errors, and to issue an independent auditors' report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards in the Republic of China will always detect a material misstatement when it exists. Misrepresentation may be due to fraud or error. It is considered to be material if the misrepresented individual amount or the aggregated total can be reasonably expected to affect the economic decisions made by the users of the parent company only financial statements.

When auditing in accordance with Auditing Standards, we practice professional judgment and maintains professional suspicion. We also perform the following tasks:

1. Identify and assess the risks of material misrepresentation in the parent company only financial statements due to fraud or error; design and implement applicable countermeasures for the assessed risks, as well as obtaining sufficient and appropriate audit evidence as to the foundation of audit opinions. Because fraud may involve collusion, forgery, intentional omission, untrue declaration or the override of internal control, the risk of not detecting the material misrepresentation caused by fraud is higher than that caused by the error.

2. To acquire the necessary understanding of internal control relevant to audit so as to design appropriate audit procedures under the circumstances, but its purpose is not to express opinions on the effectiveness of internal control of Kedge Construction Co., Ltd.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, conclude on the appropriateness of the accounting base for continuing operations adopted by the management and whether there is a material uncertainty in the events or circumstances that may cause material doubts about the sustainability of going concerned for Kedge Construction Co., Ltd. If we believe that there is a material uncertainty in such events or circumstances, we shall remind the users of the parent company only financial statements to pay attention to the relevant disclosure of the parent company only financial statements in our auditor's report or we shall amend the audit opinion when such disclosure is inadequate. Our conclusions are based on the audit evidence obtained as of the date of our auditor's report. However, future events or circumstances may result in Kedge Construction Co., Ltd. no longer having the ability to going concerned.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements fairly represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence for the financial information of the invested company adopting the equity method to express opinions on the parent company only financial statements. We are responsible for the guidance, supervision, and implementation of the audit cases, and for forming the audit opinions for Kedge Construction Co., Ltd.

The matters we communicate with the governance body include the planned audit scope and time, as well as material audit findings (including a significant lack of internal control identified in the audit process).

We also provide the governance body with a declaration that the persons subject to the independence standards of our affiliated accounting firm have complied with the code of professional ethics of accountants, and communicate with the governance body all relations and other matters (including relevant protective measures) that may affect the independence of CPAs.

From the matters communicated with those charged with governance, we determined the key audit matters of the parent company only financial statements of Kedge Construction Co., Ltd. of 2022. We state such matters in the audit report unless the law or regulation does not allow public disclosure of specific matters. Or in rare circumstances, we determine not to communicate specific matters in the audit report due to the reasonable probability that the negative impact of such communication is greater than the public interest.

KPMG

Taipei, Taiwan

Republic of China

March 14, 2023

### Notices to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese language independent auditors' report and financial statements shall prevail.*

**Kedge Construction Co., Ltd.**

**Balance Sheets**

**For the Years Ended December 31, 2022 and 2021**

**Unit: NT\$ thousand**

Assets		2022.12.31		2021.12.31		Liabilities and equity		2022.12.31		2021.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(1) and (17))	\$ 4,690,359	40	3,773,795	41	2100	Short-term loans (Note 6(7), (17) and 7)	\$ 485,000	4	200,000	2
1170	Notes and accounts receivable, net (Note 6(3), (14) and (17))	1,893,905	16	995,512	11	2130	Current contract liabilities (Note 6(14))	1,543,225	13	444,657	5
1180	Notes and accounts receivable - related-parties, net (Note 6(14) and (17) and 7)	570,121	5	820,009	9	2150	Notes payable (Note 6(17) and 7)	336,499	3	274,632	3
1140	Current contract assets (Note 6(14) and 7)	1,841,624	16	2,139,978	23	2170	Accounts payable (Note 6(17) and 7)	4,340,075	37	4,088,298	44
1410	Prepayments	139,944	1	84,871	1	2200	Other payables (Note 6(10), (17) and 7)	372,504	3	289,924	3
1470	Other current assets	49,170	-	43,541	1	2230	Current tax liabilities	266,475	2	191,630	2
1476	Other financial assets - current (Note 6(17) and 7)	1,589,682	14	310,105	3	2300	Other current liabilities (Note 6(17))	10,768	-	16,280	-
		<u>10,774,805</u>	<u>92</u>	<u>8,167,811</u>	<u>89</u>			<u>7,354,546</u>	<u>62</u>	<u>5,505,421</u>	<u>59</u>
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>					
1518	Equity instrument measured at fair value through other comprehensive income (Note 6(2) and (17))	16,060	-	20,763	-	2552	Warranty long-term provisions (Note 6(8))	178,726	2	180,633	2
1550	Investments accounted for using equity method (Note 6(4))	663,263	7	744,759	8	2600	Other non-current liabilities (Note 6(17))	9,006	-	4,411	-
1600	Property, plant and equipment (Note 6(5) and (8))	150,955	1	92,934	1			<u>187,732</u>	<u>2</u>	<u>185,044</u>	<u>2</u>
1760	Investment property, net (Note 6(6) and 8)	48,689	-	101,611	1		<b>Total liabilities</b>	<u>7,542,278</u>	<u>64</u>	<u>5,690,465</u>	<u>61</u>
1755	Right-of-use assets	12,680	-	2,764	-		<b>Equity (Note 6(12)):</b>				
1840	Deferred tax assets(Note 6(11))	39,717	-	45,994	1	3100	Share Capital	1,166,392	10	1,060,357	12
1975	Net defined benefit assets - non-current (Note 6(10))	5,820	-	2,438	-	3200	Capital surplus	518,540	5	518,401	6
1980	Other non-current financial assets (Note 6(17))	16,534	-	22,324	-	3300	Retained earnings	2,372,019	20	1,702,978	19
		<u>953,718</u>	<u>8</u>	<u>1,033,587</u>	<u>11</u>	3400	Other equity interest	129,294	1	229,197	2
		<u>\$ 11,728,523</u>	<u>100</u>	<u>9,201,398</u>	<u>100</u>		<b>Total equity</b>	<u>4,186,245</u>	<u>36</u>	<u>3,510,933</u>	<u>39</u>
	<b>Total assets</b>						<b>Total liabilities and equity</b>	<u>\$ 11,728,523</u>	<u>100</u>	<u>9,201,398</u>	<u>100</u>

(Please refer to the attached Notes to Parent Company Only Financial Statements)

**Kedge Construction Co., Ltd.**  
**Statements of Comprehensive Income**  
**January 1 to December 31, 2022 and 2021**

Unit: NT\$ thousand

	2022		2021	
	Amount	%	Amount	%
4000 <b>Operating revenue (Note 6(9), (14) and 7)</b>	\$ 14,175,364	100	10,720,013	100
5000 <b>Operating costs (Note 6(10), (15), 7 and 12)</b>	<u>12,588,653</u>	89	<u>9,543,524</u>	89
<b>Gross profit from operations</b>	<u>1,586,711</u>	11	<u>1,176,489</u>	11
<b>Operating expenses:</b>				
6200 Administrative expenses (Note 6(10), (15), 7 and 12)	306,833	2	296,788	3
6450 Expected credit loss (gain) (Note 6(3) and (14))	<u>-</u>	-	<u>7,551</u>	-
	<u>306,833</u>	2	<u>304,339</u>	3
<b>Net Operating Profit</b>	<u>1,279,878</u>	9	<u>872,150</u>	8
<b>Non-operating income and expenses:</b>				
7100 Interest income (Note 6(16))	21,635	-	9,567	-
7010 Other income (Note 6(16))	11,355	-	1,723	-
7020 Other gains and losses (Note 6(5) and (16))	(265)	-	(19,601)	-
7050 Financial costs (Note 6(16))	(4,152)	-	(1,384)	-
7070 Share of profit and loss of subsidiaries, associates and joint ventures using equity method recognition	<u>13,704</u>	-	<u>58,906</u>	1
	<u>42,277</u>	-	<u>49,211</u>	1
<b>Net profit before tax from continuing operating department</b>	1,322,155	9	921,361	9
7950 <b>Less: Income tax expenses (Note 6(11))</b>	<u>274,222</u>	2	<u>180,885</u>	2
<b>Profit</b>	<u>1,047,933</u>	7	<u>740,476</u>	7
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified to profit or loss</b>				
8311 Remeasurements of defined benefit plans	2,836	-	(1,575)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	<u>(99,903)</u>	(1)	<u>84,544</u>	1
	<u>(97,067)</u>	(1)	<u>82,969</u>	1
8300 <b>Other comprehensive income, net</b>	<u>(97,067)</u>	(1)	<u>82,969</u>	1
<b>Total Comprehensive Income for the Current Period</b>	<u>\$ 950,866</u>	<u>6</u>	<u>823,445</u>	<u>8</u>
<b>Earnings per share (NT\$) (Note 6(13))</b>				
9750 <b>Basic earnings per share (NT\$)</b>	<u>\$ 8.98</u>		<u>6.35</u>	
9850 <b>Diluted earnings per share (NT\$)</b>	<u>\$ 8.85</u>		<u>6.30</u>	

**(Please refer to the attached Notes to Parent Company Only Financial Statements)**

**Kedge Construction Co., Ltd.**  
**Statements of Changes in Equity**  
**January 1 to December 31, 2022 and 2021**

**Unit: NT\$ thousand**

	Share Capital		Retained earnings			Other equity interest	Total equity
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	
<b>Balance as of January 1, 2021</b>	\$ 1,060,357	518,294	282,311	1,063,494	1,345,805	144,653	3,069,109
Profit	-	-	-	740,476	740,476	-	740,476
Other Comprehensive Income in the Current Period	-	-	-	(1,575)	(1,575)	84,544	82,969
Total Comprehensive Income for the Current Period	-	-	-	738,901	738,901	84,544	823,445
Earnings appropriation and distribution:							
Legal reserve appropriated	-	-	62,771	(62,771)	-	-	-
Cash dividends of ordinary share	-	-	-	(381,728)	(381,728)	-	(381,728)
Unclaimed cash dividends after effective period	-	107	-	-	-	-	107
Balance on December 31, 2021	1,060,357	518,401	345,082	1,357,896	1,702,978	229,197	3,510,933
Profit	-	-	-	1,047,933	1,047,933	-	1,047,933
Other Comprehensive Income in the Current Period	-	-	-	2,836	2,836	(99,903)	(97,067)
Total Comprehensive Income for the Current Period	-	-	-	1,050,769	1,050,769	(99,903)	950,866
Earnings appropriation and distribution:							
Legal reserve appropriated	-	-	73,890	(73,890)	-	-	-
Cash dividends of ordinary share	-	-	-	(275,693)	(275,693)	-	(275,693)
Stock dividends of ordinary share	106,035	-	-	(106,035)	(106,035)	-	-
Unclaimed cash dividends after effective period	-	139	-	-	-	-	139
<b>Balance as of December 31, 2022</b>	<b>\$ 1,166,392</b>	<b>518,540</b>	<b>418,972</b>	<b>1,953,047</b>	<b>2,372,019</b>	<b>129,294</b>	<b>4,186,245</b>

**(Please refer to the attached Notes to Parent Company Only Financial Statements)**

**Kedge Construction Co., Ltd.**  
**Statements of Cash Flows**  
**January 1 to December 31, 2022 and 2021**

Unit: NT\$ thousand

	2022	2021
<b>Cash flows from operating activities:</b>		
Net profit before tax for the period	\$ 1,322,155	921,361
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	17,206	19,466
Expected credit loss	-	7,551
Interest expense	4,152	1,384
Interest income	(21,635)	(9,567)
Dividend income	(1,375)	(1,200)
Share of profit of subsidiaries, associates and joint ventures using equity method recognition	(13,704)	(58,906)
Gains on disposal and scrap of property, plant and equipment	-	(33)
Impairment loss of non-financial assets	-	18,618
Gain on lease modification	-	(58)
Total adjustments to reconcile profit (loss)	<u>(15,356)</u>	<u>(22,745)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes and accounts receivable	(898,393)	(63,619)
Notes and accounts receivable - decrease in related parties	249,888	1,068,847
Decrease (increase) in contract assets	298,354	(720,511)
Decrease (increase) in prepayments	(55,073)	6,445
Increase in other financial instruments - current	(5,629)	(9,056)
Increase in other financial assets	(1,276,354)	(108,708)
(Increase) decrease in net defined benefit assets-non-current	(3,382)	962
Total changes in operating assets	<u>(1,690,589)</u>	<u>174,360</u>
Total changes in operating liabilities:		
Increase (decrease) in notes payable	61,867	(51,491)
Increase in accounts payable	252,223	431,316
Increase (decrease) in contract liabilities	1,098,568	(1,051,007)
Increase (decrease) in other payables	82,499	(20,795)
Increase (decrease) in liability reserve	(1,907)	31,264
(Decrease) increase in other current liabilities	(10,326)	9,823
Increases (decrease) in net defined benefit liabilities	2,836	(1,575)
(Decrease) increase in other non-current liabilities	(501)	1,048
Total changes in operating liabilities	<u>1,485,259</u>	<u>(651,417)</u>
Total changes in operating assets and liabilities	<u>(205,330)</u>	<u>(477,057)</u>
Total adjustments	<u>(220,686)</u>	<u>(499,802)</u>
Cash inflow generated from operations	1,101,469	421,559
Interests received	17,329	9,945
Dividends received	1,375	1,200
Interest payment	(3,932)	(1,384)
Income taxes paid	(193,100)	(118,033)
<b>Net cash flows from operating activities</b>	<u>923,141</u>	<u>313,287</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(21,109)	(3,875)
Disposal of property, plant and equipment	-	76
Decrease (increase) in other financial assets	6,873	(11,154)
<b>Net cash flows used in investing activities</b>	<u>(14,236)</u>	<u>(14,953)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	945,000	410,000
Decrease in short-term loans	(660,000)	(360,000)
Increase in short-term promissory notes payable	50,000	260,000
Decrease in short-term promissory notes payable	(50,000)	(260,000)
Repayment of lease principal amount	(1,648)	(2,552)
Cash dividend distribution	(275,693)	(381,728)
<b>Net cash outflows from (used in) financing activities</b>	<u>7,659</u>	<u>(334,280)</u>
Net increase (decrease) in cash and cash equivalents	916,564	(35,946)
Opening balance of cash and cash equivalents of the period	3,773,795	3,809,741
Ending balance of cash and cash equivalents of the period	<u>\$ 4,690,359</u>	<u>3,773,795</u>

(Please refer to the attached Notes to Parent Company Only Financial Statements)

**Kedge Construction Co., Ltd.**  
**Notes to Parent Company Only Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**  
(Unless otherwise stated, the unit for all amounts is in NT\$ thousands.)

**1. Company Overview**

Kedge Construction Co., Ltd. (hereinafter referred to as "the Company") was established on April 13, 1982, with the approval of the Ministry of Economic Affairs, and its registered address is 6F., No. 131, Sec. 3, Heping E. Rd., Taipei City, Taiwan. The main business items of the Company are comprehensive construction and the development, lease, sale, etc. of housing and building.

**2. Approval Date and Procedures of the Financial Report**

The parent company only financial statements were approved and issued on March 14, 2023 by the Board of Directors.

**3. Application of Newly Issued and Revised Standards and Interpretations**

(1) The Impact of Adopting Newly Released and Revised Standards and Interpretations Endorsed by the Financial Supervisory Commission

The Company has adopted the following newly amended IFRSs starting from January 1, 2022, which have not had a material impact on the parent company only financial statements.

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

(2) Impacts of IFRS Endorsed by FSC but yet to come into effect

The Company has assessed that the application of the above newly endorsed IFRS, effective on January 1, 2023, will not result in a material impact on the parent company only financial statements.

- Amendments to IAS 1, "Disclosure of Accounting Policies"
- Amendments to IAS 8, "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

(3) Newly issued and amended standards and interpretations yet to be endorsed by the FSC

For IFRSs issued by IASB but not yet endorsed by the FSC, the impact on the Company are as follows:

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

<u>New or amended standards</u>	<u>Main amendments to the content</u>	<u>The effective date of issuance by IASB</u>
Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	<p>Current IAS 1 requires the liabilities to be classified as current if an entity has no unconditional right to defer the settlement for at least 12 months after the reporting period. The requirement that the right should be unconditional is removed from the amended provisions and replaced with that the right must exist and be substantial at the end of the reporting period.</p> <p>The amended provisions clarify how an entity should classify liabilities that are settled by issuing its own equity instruments (e.g. convertible bonds).</p>	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Contractual Provisions"	<p>After reconsidering certain aspects of the amendments to IAS 1 in 2020, the newly amended provisions clarify that only contractual provisions followed on or before the reporting date will affect the classification of liabilities as current or non-current.</p> <p>Contractual provisions (i.e., future provisions) that an entity is required to follow after the reporting date do not affect the classification of liabilities at that date. However, where non-current liabilities are subject to future contractual provisions, disclosure is required to help users of the financial statements understand the risk that the such liabilities may be repaid within twelve months of the reporting date</p>	January 1, 2024

The Company is in the process of evaluating the impact of the above standards and interpretations on the Company's financial condition and operating performance, and it will disclose relevant impacts when the evaluation is completed.

The Company expects that the following newly published and amended IFRS unendorsed will not result in a material impact on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 17, "Insurance Contracts," and amendments to IFRS 17
- Amendments to IFRS 17, "Comparative Information for Initial Application of IFRS 17 and IFRS 9"
- Amendments to IFRS 16, "Provisions for Sale and Leaseback Transactions"

#### **4. Summary of Significant Accounting Policies**

The summary of material accounting policies adopted in the parent company only financial statements is as follows. Other than the description of accounting variations in note 3, the following accounting policies have been consistently applied to all stated periods in the parent company only financial statements.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

(1) Statement of compliance

The parent company only financial report is prepared in accordance with the standards for the "Preparation Standards of Financial Reports for Securities Issuers."

(2) Foundation of Preparation

1. Foundation of Measurement

Apart from the essential items in the following balance sheet, the parent company only financial statements are prepared on the foundation of historical cost:

(1) Financial assets measured at fair value through other comprehensive income;  
and

(2) Net defined benefit liabilities (or assets) are measured by the fair value of pension fund assets minus the present value of the defined benefit obligations and the cap effects measurement mentioned in note 4 (14).

2. Functional Currency and Presentation Currency

The Company takes the currency of the main economic environment in which the business operates as its functional currency. The parent company only financial statements present the NT dollar as the functional currency. All financial information represented in NTD is in the unit of thousands of NT\$.

(3) Foreign Currency

1. Transactions Denominated in Foreign Currency

Transactions denominated in foreign currency shall be converted into the functional currency using the exchange rate on the date of the transaction. Monetary items denominated in foreign currencies at the end of the reporting period (hereinafter referred to as the reporting date) shall be converted into the functional currency using the exchange rate on the date of the transaction. Non-monetary items denominated in foreign currencies that are measured at fair value shall be converted into the functional currency using the exchange rate on the date of the measurement, and non-monetary items denominated in foreign currencies that are measured at historical cost shall be converted using the exchange rate on the date of the transaction.

(4) Classification Standard for Distinguishing Current and Non-current Assets and Liabilities

Assets that meet one of the following conditions are classified as current assets, and all other assets that are not current assets are classified as non-current assets:

1. The asset is expected to be realized within its normal operating cycle, or it is intended to be sold or depleted;
2. The asset is held mainly for trading purposes;
3. The asset is expected to be realized within 12 months after the reporting period; or

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

4. The asset is cash or cash equivalent, but it will be used for the exchange of assets or settlement of liabilities at least 12 months after the reporting period, unless otherwise limited.

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities that are not current liabilities are classified as non-current liabilities:

1. The liability is expected to be settled within its normal operating cycle;
2. The liabilities held are primarily for the trading purpose;
3. The liabilities are expected to settle the obligation within 12 months after the reporting period; or
4. The liabilities have no unconditional right to defer the settlement for at least 12 months after the reporting period. The liabilities provisions may be settled by issuing equity instruments at the option of the counterparty, and will not impact its classification.

(5) Cash and cash equivalents

Cash includes cash on hand and demand deposit. Cash equivalents refer to the short-term and highly liquidity investment that can be converted into quota cash at any time with little risk of value change. Time deposits are classified as cash equivalents only when they satisfy the aforementioned definition, and the purpose of holding is to meet the short-term cash commitments rather than investment or other purposes.

(6) Financial Instruments

The accounts receivable and debt securities issued are primitively recognized at the time of generation. All other financial assets and financial liabilities are primitively recognized when the Company became a party to the terms of the financial instrument contract. Financial assets not measured at fair value through profit or loss (other than accounts receivable excluding material financial components) or financial liabilities primitively at fair value may be measured directly attributable to the transaction cost of the acquisition or issuance. The accounts receivable excluding material financial components are primitively measured at transaction prices.

1. Financial Assets

Where the purchase or sale of financial assets is in line with conventional trading practices, the accounting treatment of all purchases and sales of financial assets classified in the same way by the Company shall be consistently on the trade date or the settlement date.

Financial assets at the time of initial recognition are classified as financial assets measured at amortized cost or financial assets measured at fair value through profit and loss. The Company shall reclassify all the affected financial assets from the first

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

day of the next reporting period only when changing the business model for managing financial assets.

(1) Financial Assets Measured at Amortized Cost

When financial assets meet the following conditions and not designated at fair value through profit or loss, they are measured at amortized cost:

- It refers to the holding of the financial assets under the business model for the purpose of receiving contractual cash flow.
- The contractual terms of the financial asset generate the cash flow on a specific date, which is fully used to pay for the outstanding principal amount and interest of the principal.

Such assets are subsequently amortized by the initial amount recognized plus or minus the accumulated amortization amount calculated by the effective interest method, and the amortized cost measurement of any allowance loss is adjusted. Interest income, foreign exchange profit or loss, and impairment loss are recognized in profit and loss. When derecognition, gain or loss is recognized in profit and loss.

(2) Financial Assets at Fair Value through Other Comprehensive Income

At the time of initial recognition, the Company may make an irrevocable choice and report the subsequent changes at the fair value of equity instrument investment not held for trading to other comprehensive income. The aforementioned choice is made on the item by item basis.

Equity instrument investors shall be measured at fair value subsequently. Dividend income (unless it clearly represents the recovery of part of the investment cost) is recognized in profit and loss. The remaining net profit or loss is recognized as other comprehensive income and is not reclassified to profit and loss.

The dividend income of equity investment shall be recognized on the date when the Company is entitled to receive dividends (usually the ex-dividend date).

(3) Financial Assets at Fair Value through Profit or Loss

Financial assets not measured at the aforementioned amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss, including derivative financial assets. At the time of initial recognition, to eliminate or materially reduce accounting mismatches, the Company may irrevocably designate financial assets that meet the criteria of measuring at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

Such assets are subsequently measured at fair value, and their net profit or loss (including any dividend and interest income) is recognized as profit or loss.

(4) Impairment of Financial Assets

Regarding the financial assets measured through amortized cost (including cash and equivalent cash, financial assets measured by amortized cost, notes receivable and accounts receivable, other receivables, refundable deposits, other financial assets, etc.) account receivable, and contract assets, the Company shall recognize loss allowance for expected credit losses.

The loss allowance of the following financial assets are measured based on the expected credit losses amount in 12 months, and the remaining are measured based on the lifetime expected credit loss amount:

- Determine that the debt securities have low credit risk on the reporting date; and
- The credit risk of other debt securities and bank deposits (i.e., the occurrence of default risk exceeding the expected duration of financial instruments) has not increased significantly since the initial recognition.

The loss allowance for accounts receivable and contractual assets is measured by the amount of lifetime expected credit losses.

In determining whether the credit risk has increased significantly since the initial recognition, the Company shall consider reasonable and verifiable information (available without excessive cost or investment), including qualitative and quantitative information, analysis based on the historical experience, credit evaluation, and prospective information.

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

Expected credit loss refers to the weighted estimate of credit loss probability during the expected duration of financial instruments. The credit loss is measured by the present value of all cash shortfall, namely the difference between the cash flow that the Company can collect according to the contract and the expected cash flow that the Company will receive. Expected credit loss is discounted at the effective interest rate of financial assets.

On each reporting date, the Company assesses whether there is credit impairment on financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income. When one or more events are arising

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. Evidence of credit impairment of financial assets includes observable data on the following:

- Material financial difficulties of the borrower or the issuer;
- Default, such as delay or overdue for more than 90 days;
- Due to the economic or contractual reasons related to the borrower's financial difficulties, the Company gives the borrower concessions that would not have been inspected;
- The borrower is likely to file for bankruptcy or conduct other financial reorganization; or
- Due to financial difficulties, the active market of the financial assets disappeared.

The loss allowance of financial assets measured through amortized cost is deducted from the carrying amount of assets. The loss allowance of debt instrument investment measured at fair value through other comprehensive income is adjusted profit and loss and recognized in other comprehensive income (without reducing the carrying amount of assets).

When the Company cannot reasonably expect the whole or part of the recovered financial assets, it directly reduces the total carrying amount of its financial assets. The Company analyzes the time and amount of write off individually based on whether it reasonably expects to be recoverable. The Company expects that the amount written off will not be materially reversed. However, the written-off financial assets can still be enforced to comply with the procedures for the Company to recover the overdue amount.

(5) Derecognition of Financial Assets

The Company only derecognizes the financial assets when the contractual rights of the assets' cash flow are terminated, or when the financial assets have been transferred and almost all the risks and remuneration of the ownership of the asset have been transferred to other enterprises, or when almost all the risks and remuneration of the ownership have not been transferred or retained, and the control of the financial assets have not been retained.

When the Company enters into a transaction to transfer financial assets, if it retains all or almost all of the risks and remuneration of ownership of the transferred assets, it will continue to be recognized in the balance sheet.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

2. Financial Liabilities and Equity Instruments

(1) Classification of Liabilities or Equities

The debt and equity instruments issued by the Company are classified as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of financial liabilities and equity instruments.

(2) Equity Transactions

Equity instruments refer to any contracts containing residual interest after the Consolidated Company subtracts liabilities from assets. The equity instruments issued by the Company are recognized at the price obtained deduct the direct issue cost.

(3) Financial Liabilities

Financial liabilities are classified as amortized costs or the fair value measurement through profit or loss. Financial liabilities, if held for trading, derivatives or designated at the time of initial recognition, are classified as the fair value measurement through profit or loss. Financial liabilities measured at fair value through profit or loss are the fair value measurement, and the related net profit and loss, including any interest paid, are recognized in profit and loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and exchange gains and losses are recognized in profit or loss. Any profit or loss at the time of derecognize is also recognized in profit and loss.

(4) Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when the contractual obligations have been fulfilled, canceled or matured. When the provisions of financial liabilities are revised and there is a material difference in the cash flow of the modified liabilities, the initial financial liabilities shall be derecognized, and the new financial liabilities shall be recognized at fair value based on the revised provisions.

When a financial liability is derecognized, the difference between the carrying amount and the total consideration paid or payable (including any non-cash asset transferred or liability assumed) is recognized as profit or loss.

(5) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities shall be offset against each other and expressed in the net amount in the balance sheet only when the Company currently has the legally enforceable rights to offset and has the intention for netting settlement or realizing assets and settlement at the same time.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

(7) Investment in subsidiaries

In preparing parent company only financial reports, the Company adopts equity method evaluation for controlled investees. By the equity method, the current profit and loss and other comprehensive income in the individual financial report shall be the same as the allocation of other comprehensive income attributable to the parent company owners in the combined financial report, and the owners' equity in the parent company only financial report shall be the same as the equity attributable to the parent company's owners in the combined financial report.

Where the change of the ownership interest and interests of the Company to a subsidiary does not result in the loss of control, it shall be treated as an equity transaction with the owner.

(8) Investment Property

Investment property refers to property held for earning rent or asset appreciation or both, rather than for normal business sale, production, provision of goods or services, or administrative purposes. Investment property is initially measured by cost and subsequently measured by cost minus accumulated depreciation and accumulated impairment. Its depreciation method, service life, and residual value are treated following the provisions of property, plant, and equipment.

The gain or loss on disposal of the investment property (calculated by the difference between the net disposal proceed and the carrying amount of the item) is recognized in profit and loss.

Rental income from investment property is recognized in operating revenue on a straight-line basis during the lease term. The lease incentive is recognized as part of the lease income during the lease term.

(9) Property, Plant and Equipment

1. Recognition and Measurement

Property, plant, and equipment items are measured by cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When the useful life of a material component of property, plant, and equipment is different, it shall be treated as a separate item (main component) of property, plant, and equipment.

The gain or loss on disposal of the property, plant, and equipment is recognized in profit and loss.

2. Subsequent Cost

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

3. Depreciation

Depreciation is calculated by deducting the residual value from the asset cost and is recognized in profit or loss within the estimated useful life of each component using the straight-line method.

No depreciation shall be recognized for the land.

The estimated useful life of the current period and comparative periods are as follows:

- |                              |           |
|------------------------------|-----------|
| (1) Houses and buildings     | 53 years  |
| (2) Transportation equipment | 5 years   |
| (3) Others equipment         | 3~5 years |

The Company shall review the depreciation method, useful life, and residual value on each reporting date, and make appropriate adjustments as necessary.

(10) Leases

The Company evaluates whether the contract is a lease or contains a lease on the contract establishment date. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

1. Lessee

The Company recognizes the right-of-use asset and the lease liability on the inception of the lease. The right-of-use asset is initially measured at cost, which includes the initial measured amount of the lease liability, adjusts any lease benefits paid on or before the inception of the lease, and adds the initial direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any leasing incentives received.

The right-of-use asset is subsequently depreciated by the straight-line method from the inception of the lease to the expiration of the useful life of the right-of-use asset or the earlier of the lease term. Also, the Company shall regularly assess whether the right-of-use asset is impaired and processes any impairment loss that has occurred, and cooperates to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are primitively measured by the present value of the unpaid lease benefits on the inception of the lease. If the interest rate implicit in the lease is easy to determine, the discount rate shall be the interest rate; if it is not easy to determine, the incremental borrowing rate of interest of the Company shall be used. Generally speaking, the Company uses its incremental borrowing rate of interest as the discount rate.

Lease benefits included in the measurement of lease liabilities consist of:

- (1) Fixed benefits, including substantial fixed benefits;

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

- (2) The variable lease benefits depend on an index or rate, and the index or rate on the inception of the lease is applied as the initial measurement;
- (3) The residual guarantee amount expected to be paid; and
- (4) When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability subsequently accrues interest with the effective interest method, and its amount is measured when the following occurs:

- (1) Changes in the index or rate used to determine lease benefits result in changes in future lease benefits;
- (2) The residual guarantee amount expected to be paid has changed;
- (3) The evaluation of the underlying asset purchase option has changed;
- (4) The assessment of whether to exercise the option of extension or termination has changed, and alter the assessment of the lease term;
- (5) Modification of the subject matter, scope, or other terms of the lease.

When the lease liability is remeasured due to the above changes in the index or rate used to determine the lease benefits, changes in the residual guarantee amount, and changes in the evaluation of the purchase, extension or termination option, the carrying amount of the right-of-use asset shall be adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the surplus remeasured amount shall be recognized in profit and loss.

For the lease modification of reducing the lease scope, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between it and the remeasurement amount of the lease liability is recognized in profit and loss.

The Company expresses the right-of-use assets and the lease liabilities that do not meet the definition of investment property as separate line items in the balance sheet.

For short-term leases of office equipment and leases of low-value underlying assets, the Company chooses not to recognize the right-of-use assets and lease liabilities, but to recognize the related lease benefits as expenses on the straight-line basis during the lease term.

2. Lessor

For transactions in which the Company is the lessor, it is to classify the tenancy agreement according to whether it transfers almost all risks and remuneration attached to the ownership of the underlying asset on the lease establishment date. If so, it is classified as a financial lease, otherwise, it is classified as an operating lease. At the time of evaluation, the Company's considerations include relevant specific indicators,

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

such as whether it covers the main component of the economic life of the underlying asset during the lease term.

If the Company is a sublease lessor, the main lease and sublease transactions are processed separately, and the classification of the sublease transaction is evaluated by the right-of-use asset generated by the main lease. If the main lease is a short-term lease and the recognition exemption applies, the sublease transaction should be classified as an operating lease.

If the agreement includes leasing and non-leasing components, the Company shall employ the provisions of IFRS 15 to share the consideration in the contract.

**(11) Impairments of Non-financial Assets**

The Company assesses on each reporting date whether there is any indication that the carrying amount of non-financial assets (other than inventory, contractual assets, and deferred income tax assets) may be impaired. If any indication exists, the recoverable amount of the asset is estimated.

The purpose of the impairment test, a group of assets whose cash inflow is mostly independent of other individual assets or asset groups, is regarded as the smallest identifiable asset group.

The recoverable amount of an individual asset or a cash-generating unit is the higher of its fair value less costs of disposal and its use-value.

If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized.

**(12) Provisions**

The recognition of provisions means a current obligation for past events so that in the future the Company is most likely to outflow resources with economic benefits to settle it, and the amount of the obligation can be reliably estimated. The provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk of liabilities. The amortization of the discount is recognized as interest expense.

The warranty provision is recognized at the completion of the construction and is measured at correlation probability weighting according to the historical warranty data and all possible results.

**(13) Revenue Recognition**

**1. Revenue from Contracts with Clients**

The revenue is measured by the consideration expected to be entitled to for the transfer of goods or services. The Company recognizes the revenue when the control over

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

goods or services is transferred to the client, and the performance obligations are met. The main revenue items of the Company are described as follows:

(1) Construction Contracts

The Company is engaged in the contracting business of residential property and public construction. Since the assets are under the control of clients at the time of construction, the revenue is gradually recognized over time based on the proportion of the construction costs incurred to date to the estimated total contract costs. The contract includes fixed and variable consideration. The client pays a fixed amount of money according to the agreed schedule. Some variable consideration (such as penalty and price adjustment calculated based on overdue days) is estimated by the expected value based on the accumulated experience in the past. The Company recognizes revenue only within the range where the accumulated income is highly unlikely to have a material reversal. If the amount of recognized revenue has not yet been claimed, it shall be recognized as a contract asset. When there is an unconditional right to the consideration, the contract asset shall be transferred to the accounts receivable.

If it is unable to reasonably measure the completion degree of the performance obligation of the construction contract, the contract revenue shall only be recognized within the scope of the expected recoverable cost.

When the Company foresees that the inevitable cost of fulfilling the obligations of a construction contract exceeds the expected economic benefits from the contract, the liability reserve of the loss-making contract is recognized.

If the situation changes, the estimates of revenue, cost, and degree of completion will be revised, and the increase or decrease will be reflected in profit and loss during the period when the management is informed of the change.

The Company provides a standard warranty for residential property and public construction in line with the agreed specifications and has recognized the warranty liability reserve for this obligation. Please refer to Note 6(8) for details.

2. Cost of Client Contracts

Cost of Fulfilling Contracts

If the cost of fulfilling client contracts is not within the scope of other standards (IAS 2 "inventory", IAS 16 "property, plant and equipment", or IAS 38 "intangible assets"), the Company shall only recognize such cost as an asset when it is directly related to contract or explicitly identifiable expected contract, which will be generating or strengthening resources for future satisfaction (or continuous satisfaction) of performance obligations, and expected to be recoverable.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

The general and management costs, the costs of wasted raw materials, labor or other resources used to perform the contract but not reflected in the contract price, the costs related to the fulfilled (or partially fulfilled) performance obligation and the costs related to unfulfilled performance obligation or fulfilled (or partially fulfilled) performance obligation that cannot be distinguished are recognized as an expense when incurred.

(14) Employee Benefits

1. Defined Contribution Plan

The contribution obligation of the defined contribution plan is recognized as an expense during the period of service provided by the employee.

2. Defined Benefit Plan

The net obligation of the Company to determine the benefit plan is calculated by converting the future benefit amount earned by the employee in the current period or the previous period into the present value for each benefit plan and deducting the fair value of any plan assets.

The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. When the calculation result may be beneficial to the Company, the recognized assets shall be limited to the present value of any economic benefits available in the form of refunding the contribution from the plan or reducing the future contribution to the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

The remeasurement of net defined benefit liabilities, including actuarial gains and losses, plan asset returns (excluding interest), and any changes in the impact of the asset ceiling (excluding interest), are immediately recognized in other comprehensive income and accumulated in retained earnings. The net interest expense (income) of the net defined benefit liabilities (assets) determined by the Company is the net defined benefit liabilities (assets) and the discount rate determined at the beginning of the annual reporting period. The net interest paid and other expenses of the benefit plan are recognized in profit and loss.

When the plan is amended or reduced, the number of benefits changes related to past service costs or reduced benefits or losses shall be recognized as profit or loss immediately. When the settlement occurs, the Company shall recognize the settlement profit and loss of the defined benefit plan.

3. Short-term Employee Benefits

Short-term employee benefit obligations are recognized as expenses when services are provided. If the Company has current legal or constructive payment obligations due to

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

the past services provided by employees and the obligations can be estimated reliably, the amount shall be recognized as liabilities.

(15) Income Tax

Income tax includes current and deferred income tax. Except for items related to the Consolidated Company and directly recognized into equity or other comprehensive incomes, current and deferred income tax shall be recognized in profit or loss.

Current income tax includes the estimated income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to income tax payable or tax refund receivable in previous years. The amount is the best estimate of the expected payment or receipt based on the legal tax rate or substantively enacted tax rate on the reporting date.

Deferred income tax is measured and recognized on the temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and their tax base. The temporary difference for the following conditions will not be recognized as deferred income tax:

1. Assets or liabilities initially recognized in a transaction other than a business combination that at the time of the transaction does not affect accounting profit and taxable income (loss);
2. Due to temporary differences arising from investment in subsidiaries, associates and joint venture interests, the Company can control the reversing point of temporary differences and is likely not to revert in the foreseeable future; and
3. The taxable temporary difference arising from the initial recognition of goodwill.

For unused tax losses and unused income tax deduction at the later stage of the transfer and deductible temporary differences, they are recognized as deferred income tax assets to the extent that there is likely to be future taxable income available for use. On each reporting day, it shall be reassessed to reduce the relevant income tax benefits to the extent that they are not likely to be realized or to revert the reduced amount to the extent that they are likely to become sufficient taxable income.

Deferred income tax is measured by the tax rate when the expected temporary difference is reversed and is based on the legal tax rate or substantively enacted tax rate on the reporting date.

The Company only offsets the deferred income tax assets and deferred income tax liabilities when the following conditions are met simultaneously:

1. Have the legally enforceable right to offset the current income tax assets and current income tax liabilities against each other; and

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

2. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxpayers levied by the same taxation authority:

- (1) Same taxpayer; or
- (2) Different taxpayers, yet each taxpayer intends to settle current income tax assets and liabilities on a net basis or realize assets and settle liabilities at the same time in each future period when a material amount of deferred income tax assets are expected to be recovered, and deferred income tax liabilities are expected to be settled.

(16) Earnings per Share

The Company presents the basic and diluted earnings per share attributable to the Company's common equity holders. The basic earnings per share of the Company are calculated by dividing the profit and loss attributable to the Company's common equity holders by the weighted average number of outstanding common shares in the current period. Diluted earnings per share are calculated by adjusting the profit and loss attributable to the common equity holders of the Company and the weighted average number of outstanding common shares, respectively, after adjusting the impact of all potential diluted common equity.

(17) Segment Information

The Company has disclosed segment information in the consolidated financial reports, so the parent company only financial reports do not disclose segment information.

**5. Significant Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty**

When the Company adopts accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. The actual results may differ from the estimates.

Management reviews estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation and Assumption Uncertainty:

(1) Construction Contracts

The recognition of the profit and loss of the construction contract of the Company refers to the recognition of the revenue and the cost respectively according to the complete degree of the contractual activities and the degree of completion is measured by the completion of the contractual performance obligations.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

Estimated total costs and contract items are based on the evaluation and judgment of management regarding the nature, estimated contract amounts, construction periods, engineering construction and construction methods of different constructions, which may affect the percentage of completion and the calculation of the construction profit or loss.

**6. Explanation of Significant Accounts**

(1) Cash and cash equivalents

	<b>2022.12.31</b>	<b>2021.12.31</b>
Petty cash	\$ 320	510
Demand deposits	320,037	2,204,233
Check deposits	1,761,494	1,061,681
Time deposits	2,608,508	-
Cash equivalents	-	507,371
Cash and cash equivalents	<b>\$ 4,690,359</b>	<b>3,773,795</b>

The aforementioned cash equivalents are short-term bills, whose maturity range is in January in 2022, and the interest rate range is 0.26%.

For the disclosed information on the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company, please refer to Note 6(17).

(2) Financial Assets at Fair Value through Other Comprehensive Income

	<b>2022.12.31</b>	<b>2021.12.31</b>
Equity instruments measured at fair value through other comprehensive income		
Stocks listed in TWSE or TPEX - Kindom Development Co., Ltd.	<b>\$ 16,060</b>	<b>20,763</b>

1. The equity instrument investment held by the Company is a long-term strategic investment and not held for trading purposes, so it has been designated to be measured at fair value through other comprehensive income.
2. For the equity instrument investment designated as measured at fair value through other comprehensive income, the dividend incomes recognized by the Company in 2022 and 2021 were NT\$1,375,000 and NT\$1,200,000.
3. The Company did not dispose of strategic investment in 2022 and 2021, and accumulated profit and loss during that period were not transferred within the equity.
4. As of December 31, 2022 and 2021, none of the financial assets of the Company has been pledged as collateral.
5. Please refer to Note 6(17) for credit risk and market risk information.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

(3) Notes and accounts receivable

	<b>2022.12.31</b>	<b>2021.12.31</b>
Accounts Receivable	\$ 1,901,456	1,003,063
Less: Loss allowance	(7,551)	(7,551)
	<b>\$ 1,893,905</b>	<b>995,512</b>

The Company adopted a simplified method to estimate expected credit loss for notes receivable and accounts receivable, namely measurement through lifetime expected credit loss. For this purpose of measurement, the notes receivable and accounts receivable are grouped by the joint credit risk characteristics of the ability to pay the due amount according to the contract terms of representative customers, and incorporated into prospective information. The expected credit loss of notes receivable and accounts receivable of the Company is analyzed as follows:

	<b>2022.12.31</b>		
	<b>The carrying amount of notes receivable and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance of lifetime expected credit losses</b>
Not past due	\$ 1,893,905		-
Past due 90 days and above	7,551	100%	7,551
	<b>\$ 1,901,456</b>		<b>7,551</b>
	<b>2021.12.31</b>		
	<b>The carrying amount of notes receivable and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance of lifetime expected credit losses</b>
Not past due	\$ 995,512		-
Past due 90 days and above	7,551	100%	7,551
	<b>\$ 1,003,063</b>		<b>7,551</b>

Changes of loss allowance of notes receivable and accounts receivable of the Company is as follows:

	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 7,551	-
Impairment losses recognized	-	7,551
Ending Balance	<b>\$ 7,551</b>	<b>7,551</b>

As of December 31, 2022 and 2021, none of the accounts receivable of the Company has been pledged as collateral.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

(4) Investments accounted for using equity method

The investment of the Company using the equity method on the reporting date is as follows:

Subsidiary	<b>2022.12.31</b>	<b>2021.12.31</b>
	<b>\$ 663,263</b>	<b>744,759</b>

1. Subsidiary

Please refer to the 2022 Consolidated Financial Statements.

2. Collateral

As of December 31, 2022 and 2021, none of the investments under the equity method of the Company was pledged as collateral.

(5) Property, Plant and Equipment

The changes in the cost, depreciation and impairment losses of property, plant and equipment in 2022 and 2021 of the Company are as follows:

	<b>Land</b>	<b>Houses and buildings</b>	<b>Transportati on equipment</b>	<b>Others equipment</b>	<b>Total</b>
Cost or deemed cost:					
Balance as of January 1, 2022	\$ 53,200	34,011	-	63,033	150,244
Additions	-	-	-	21,109	21,109
Disposal	-	(21,345)	-	(4,044)	(25,389)
Reclassification	53,200	12,667	-	(811)	65,056
Balance as of December 31, 2022	<b>\$ 106,400</b>	<b>25,333</b>	<b>-</b>	<b>79,287</b>	<b>211,020</b>
Balance as of January 1, 2021	\$ 53,200	34,011	1,930	58,969	148,110
Additions	-	-	-	3,875	3,875
Disposal	-	-	(1,930)	-	(1,930)
Reclassification	-	-	-	189	189
Balance on December 31, 2021	<b>\$ 53,200</b>	<b>34,011</b>	<b>-</b>	<b>63,033</b>	<b>150,244</b>
Depreciation and impairment losses:					
Balance as of January 1, 2022	\$ -	34,011	-	23,299	57,310
Depreciation for the year	-	235	-	15,097	15,332
Disposal	-	(21,345)	-	(4,044)	(25,389)
Reclassification	7,000	6,177	-	(365)	12,812
Balance as of December 31, 2022	<b>\$ 7,000</b>	<b>19,078</b>	<b>-</b>	<b>33,987</b>	<b>60,065</b>
Balance as of January 1, 2021	\$ -	14,445	1,887	7,826	24,158
Depreciation for the year	-	3,913	-	12,508	16,421
Impairment loss	-	15,653	-	2,965	18,618
Disposal	-	-	(1,887)	-	(1,887)
Balance on December 31, 2021	<b>\$ -</b>	<b>34,011</b>	<b>-</b>	<b>23,299</b>	<b>57,310</b>
Book Value:					
December 31, 2022	<b>\$ 99,400</b>	<b>6,255</b>	<b>-</b>	<b>45,300</b>	<b>150,955</b>
January 1, 2021	<b>\$ 53,200</b>	<b>19,566</b>	<b>43</b>	<b>51,143</b>	<b>123,952</b>
December 31, 2021	<b>\$ 53,200</b>	<b>-</b>	<b>-</b>	<b>39,734</b>	<b>92,934</b>

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

1. Reversal of impairment loss

In 2021, the Company had no substantial economic benefits in the future for its buildings and other equipment, and therefore it recognized the impairment loss of NT\$18,618,000, accounted for under other gains and losses.

2. Collateral

Please refer to Note 8 for details of collateral for the financing line as of December 31, 2022 and 2021.

(6) Investment Property

The changes in the cost, depreciation and impairment losses of investment property in 2022 and 2021 of the Company are as follows:

	<b>Land, houses and buildings</b>
Cost or deemed cost:	
Balance as of January 1, 2022	\$ 127,549
Transferred to property, plant and equipment	(65,867)
Balance as of December 31, 2022	<b><u>\$ 61,682</u></b>
Balance as of January 1, 2021	\$ 127,549
Balance on December 31, 2021	<b><u>\$ 127,549</u></b>
Depreciation and impairment losses:	
Balance as of January 1, 2022	\$ 25,938
Depreciation for the year	232
Transferred to property, plant and equipment	(13,177)
Balance as of December 31, 2022	<b><u>\$ 12,993</u></b>
Balance as of January 1, 2021	\$ 25,472
Depreciation for the year	466
Balance on December 31, 2021	<b><u>\$ 25,938</u></b>
Carrying amount:	
December 31, 2022	<b><u>\$ 48,689</u></b>
January 1, 2021	<b><u>\$ 102,077</u></b>
December 31, 2021	<b><u>\$ 101,611</u></b>
Fair value:	
December 31, 2022	<b><u>\$ 91,018</u></b>
December 31, 2021	<b><u>\$ 174,536</u></b>

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

The fair value of investment property is based on the evaluation of the independent appraisers (with a relevant professional qualification accredited) or of the Company through the comprehensive consideration by the comparative method (taking into account the information of the deal price of the real estate agent and the actual price registration of the Ministry of the Interior). The input value used in the fair value evaluation technique belongs to Level 3.

The fair value is evaluated by the income approach. In the absence of the current price in the active market, the evaluation considers the total aggregate estimated cash flow received from the lease of the property and discounts it with the earning rate that reflects the specific risks inherent in the net cash flow to determine the value of the property. The discount rates applied for the years ended on December 31, 2022, and 2021 are 1.765% and 1.180% respectively.

As of December 31, 2022 and 2021, for information regarding the Company's investment property pledged as collateral, please refer to Note 8.

(7) Short-term loans

Details of the Company's short-term loans are as follows:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Unsecured bank loans	<b>\$ 485,000</b>	<b>200,000</b>
Unused limit	<b>\$ 6,899,010</b>	<b>4,462,680</b>
Interest rate interval	<b>1.57~1.98%</b>	<b>1.05%</b>

For the Company's details on interest rate risk and liquidity risk, please refer to Note 6(17). Please refer to Note 8 for details of the collateral of the Company's asset pledged for bank loans.

(8) Provisions

	<b>Warranty</b>
Balance as of January 1, 2022	\$ 180,633
Additional provisions for the current period	19,636
Provisions reclassified for the current period	278
Provisions used in the current period	(20,821)
Reversal of provisions for the current period	(1,000)
Balance as of December 31, 2022	<b>\$ 178,726</b>
Balance as of January 1, 2021	\$ 149,369
Additional provisions for the current period	37,076
Provisions used in the current period	(5,812)
Balance on December 31, 2021	<b>\$ 180,633</b>

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

In 2022 and 2021, the warranty provisions of the Company are mainly related to construction contracting. The warranty provisions are estimated based on the historical warranty data of various constructions. The Company expects that the liability will occur mostly one year after the construction acceptance.

(9) Operating lease

The investment property leased by the Company doesn't transfer all risks and remuneration attached to the ownership of the underlying assets, so the tenancy agreement is classified as an operating lease. Please refer to Note 6(6) investment property for details.

The maturity analysis of the lease payment is listed as follows according to the non-discounted future cash flows of lease receivable after the reporting date:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Less than 1 year	\$ 3,360	3,360
Non-discounted future cash flows of lease	<b>\$ 3,360</b>	<b>3,360</b>

In 2022 and 2021, the rental income from investment property were NT\$3,349,000 and NT\$5,992,000. In addition, there was no material maintenance and servicing expense.

(10) Employee Benefits

1. Defined Benefit Plan

The adjustment of the present value of the defined benefit obligations and the fair value of the plan assets of the Company is as follows:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Present value of defined benefit obligations	\$ 16,887	21,585
Fair value of plan assets	(22,707)	(24,023)
Net defined benefit obligation assets	<b>\$ (5,820)</b>	<b>(2,438)</b>

The defined benefit plan of the Company is contributed to the special pension fund account at the Bank of Taiwan. The pension payment of each employee under the Labor Standards Act is calculated based on the base number of service years and the average salary of 6 months before retirement.

(1) Components of plan assets

The pension fund contributed by the Company following the Labor Standards Act is under the overall management of the Bureau of Labor Funds of the Ministry of Labor. According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

The Company's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to NT\$22,707,000 on the reporting date. For the utilization of the pension fund, including the earnings rate and asset allocation of the fund, please refer to the information published on the website of the Bureau of Labor Funds of the Ministry of Labor.

(2) Changes in present value of defined benefit obligations

The changes in the present value of defined benefit obligations of the Company in 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligation on January 1	\$ 21,585	22,148
Current service cost and interest	119	177
Remeasurement of net defined benefit liability (asset)		
— Actuarial gain and loss arising from changes in financial assumptions	(1,184)	570
- Experience adjustments	(53)	(658)
Benefits paid by the plan	<u>(3,580)</u>	<u>(652)</u>
Defined benefit obligation on December 31	<u><b>\$ 16,887</b></u>	<u><b>21,585</b></u>

(3) Changes in fair value of plan assets

Changes in fair value of defined benefit plan assets of the Company in 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets on January 1	\$ 24,023	25,548
Interest income	134	207
Remeasurement of net defined benefit liability (asset)		
— Return on plan assets (excluding current interest)	1,599	(1,662)
Amount contributed to the plan	531	582
Benefits paid by the plan	<u>(3,580)</u>	<u>(652)</u>
Fair value of plan assets on December 31	<u><b>\$ 22,707</b></u>	<u><b>24,023</b></u>

(4) The Company had no upper limit impact on defined benefit plan assets in 2022 and 2021.

(5) Expenses recognized as profit and loss

The expenses recognized as profit and loss of the Company in 2022 and 2021 are as follows:

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

	<b>2022</b>	<b>2021</b>
Net interest from net defined benefit liability (asset)	\$ (15)	(30)

Fees are recognized as follows in the statement of comprehensive income:

	<b>2022</b>	<b>2021</b>
Operating costs	\$ (15)	(30)

- (6) Remeasurement of net defined benefit liability (asset) recognized as other comprehensive income

The remeasurement of the net defined benefit liability (asset) accumulated and recognized as other comprehensive income of the Company as of December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
Accumulated balance on January 1	\$ 2,328	3,903
Current recognition	2,836	(1,575)
Accumulated balance on December 31	\$ 5,164	2,328

- (7) Actuarial assumption

The main actuarial assumptions used by the Company at the end of the financial reporting period are as follows:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Discount rate	1.25%	0.55%
Future salary increase	2.00%	1.75%

Based on the actuarial report, the Company is expected to make a contribution payment of NT\$531,000 to the defined benefit plans for the one-year period after the reporting date of 2022.

The weighted average lifetime of the defined benefit plans is 10.5 years.

- (8) Sensitivity analysis

The impact of changes in the main actuarial assumptions to be adopted on December 31, 2022 and 2021 on the present value of defined benefit obligations is as follows:

	<b>Impact on defined benefit obligations</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2022		
Discount rate (change of 0.25%)	(397)	411
Future salary increase (change of 1%)	1,713	(1,533)
December 31, 2021		
Discount rate (change of 0.25%)	(570)	589
Future salary increase (change of 1%)	2,441	(2,171)

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

The above sensitivity analysis is based on the impact of changes in a single assumption when other assumptions remain unchanged. In practice, the changes in assumptions may be interlinked. Sensitivity analysis is consistent with the method used to calculate net defined benefit liabilities on the balance sheet.

The methods and assumptions used in the preparation of sensitivity analysis in this period are the same as those in the previous period.

2. Defined Contribution Plan

The Company's defined contribution plan contributes 6% of the worker's monthly wage to the individual labor pension accounts at the Bureau of Labor Insurance per the provisions of the Labor Pension Act. Under this plan, the Company contributes a fixed amount to the Bureau of Labor Insurance, and there is no legal or constructive obligation to pay the additional amount.

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2022 and 2021 amounted to NT\$23,736,000 and NT\$21,568,000, respectively.

3. Short-term compensated absences

Details of employee benefit liabilities of the Company are as follows:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Short-term compensated absences	<b>\$ 11,304</b>	<b>13,716</b>

(11) Income Tax

1. The details of income tax expenses of the Company in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Current income tax expenses		
Accrued in current year	\$ 255,380	183,438
Adjustments to income tax expenses of previous period	(245)	58
Surtax on unappropriated earnings	12,810	8,967
	267,945	192,463
Deferred tax expense		
Occurrence and reversal of temporary differences	6,277	(11,578)
Income tax expenses	<b>\$ 274,222</b>	<b>180,885</b>

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

2. The relationship between the income tax expense and the net profit before tax of the Company in 2022 and 2021 is adjusted as follows:

	<b>2022</b>	<b>2021</b>
Net profit before tax	\$ 1,322,155	921,361
Income tax calculated according to the domestic tax rate of the location of the Company	\$ 264,431	184,272
Adjustments to income tax expenses of previous period	(245)	58
Surtax on unappropriated earnings	12,810	8,967
Investment gain accounted for using equity method	(2,741)	(11,781)
Tax exemption profit	(275)	(240)
Non-creditable expense	139	114
Others	103	(505)
<b>Total</b>	<b>\$ 274,222</b>	<b>180,885</b>

3. Deferred tax assets

- (1) Unrecognized deferred tax assets

Items not recognized as deferred tax assets by the Company are as follows:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Deductible temporary difference	<b>\$ 798</b>	<b>798</b>

- (2) Recognized deferred tax assets

The changes in deferred tax assets in 2022 and 2021 are as follows:

	<b>Provisions</b>	<b>Cumulative compensated absences</b>	<b>Impairment loss</b>	<b>Others</b>	<b>Total</b>
January 1, 2022	\$ 36,127	2,743	3,639	3,485	45,994
Recognized in the income statements	(382)	(482)	(3,639)	(1,774)	(6,277)
December 31, 2022	<b>\$ 35,745</b>	<b>2,261</b>	<b>-</b>	<b>1,711</b>	<b>39,717</b>
January 1, 2021	\$ 29,874	2,982	-	1,560	34,416
Recognized in the income statements	6,253	(239)	3,639	1,925	11,578
December 31, 2021	<b>\$ 36,127</b>	<b>2,743</b>	<b>3,639</b>	<b>3,485</b>	<b>45,994</b>

4. The Company's business income tax declaration has been approved by the collection authority until 2020.

- (12) Capital and other equity

As of December 31, 2022 and 2021, the total authorized capital stock of the Company is NT\$1,200,000,000; the total number of shares is 120,000,000 with a par value of NT\$10 per share. The aforementioned shares authorized are common shares with 116,639,000 and 106,036,000 shares issued, respectively. The payment of all issued shares has been collected.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

1. Issuance of ordinary shares

On June 15, 2022, the shareholders' meeting resolved the capital increase out of earnings by NT\$106,035 thousand, or NT\$10 per share, for 10,604 thousand shares, which was approved by the Financial Supervisory Commission, Executive Yuan on July 5, 2022. The ex-rights date is August 7, 2022. The relevant statutory registration procedures have been completed.

2. Capital surplus

Details of capital surplus was as follows:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Shares premium	\$ 383,109	383,109
Premium on conversion of convertible bonds	130,766	130,766
Changes in the equity net value of subsidiaries, associates and joint ventures recognized by the equity method	2,568	2,568
Unclaimed dividends after effective period	660	521
Others	1,437	1,437
	<b>\$ 518,540</b>	<b>518,401</b>

In accordance with the Company Act, realized capital surplus can only be distributed to shareholders based on their original shareholding percentage as new shares or cash dividends after offsetting losses. The realized capital surplus referred to in the preceding paragraph includes the overage from the issuance of shares over the par value and the proceeds from the receipt of gifts. In accordance with the provisions of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be capitalized, and the combined amount of any portions capitalized may not exceed 10% of the paid-in capital each year.

3. Retained earnings

The Company's Articles of Association stipulates that the Company's earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, if any, can be distributed to the shareholders as dividends, and bonus dividends according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

The Company will develop towards contracting large-scale constructions and strive for growth and innovation. To continuously maintain sufficient capital to meet the needs of the business, and to take into account the cash required for shareholders, the Company's future cash dividend ratio will be no less than 20% of the total cash and share dividends to be distributed in the current year.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

(1) Legal reserve

When there is no loss in the Company, the legal reserve will be used to issue new shares or cash dividends upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in capital.

(2) Earnings distribution

The 2021 and 2020 distributions of earnings were resolved at the shareholders' meetings on June 15, 2022 and July 1, 2021, respectively. The dividends distributed to owners are as follows:

	2021		2020	
	Dividend rate (NT\$)	Amount	Dividend rate (NT\$)	Amount
Dividends to common shareholders:				
Cash dividend	\$ 2.6	275,693	3.6	381,728
Stock	1.0	<u>106,035</u>	-	<u>-</u>
Total		<u><b>\$ 381,728</b></u>		<u><b>381,728</b></u>

The 2022 distributions of earnings were resolved at the shareholders' meetings on March 14, 2023. The dividends distributed to owners are as follows:

	2022	
	Dividend rate (NT\$)	Amount
Dividends to common shareholders		
Cash dividend	\$ 4.15	484,053
Stock	0.35	<u>40,824</u>
Total		<u><b>\$ 524,877</b></u>

4. Other equity interest (net after tax)

	<b>Unrealized gains and losses from financial assets at fair value through other comprehensive income</b>
Balance as of January 1, 2022	\$ 229,197
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	<u>(99,903)</u>
Balance as of December 31, 2022	<u><b>\$ 129,294</b></u>
Balance as of January 1, 2021	\$ 144,653
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	<u>84,544</u>
Balance on December 31, 2021	<u><b>\$ 229,197</b></u>

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

(13) Earnings per Share

The basic and diluted earnings per share of the Company in 2022 and 2021 are calculated as follows:

	2022	2021
<b>Basic earnings per share</b>		
Net profit attributable to ordinary equity holders of the Company	\$ <u>1,047,933</u>	<u>740,476</u>
Weighted average number of ordinary shares outstanding	<u>116,639</u>	<u>116,639</u>
	<u>\$ 8.98</u>	<u>6.35</u>
<b>Diluted earnings per share</b>		
Net profit attributable to ordinary equity holders of the Company	\$ <u>1,047,933</u>	<u>740,476</u>
Weighted average number of ordinary shares outstanding	116,639	116,639
<b>Impact of potential ordinary shares with the dilution effect</b>		
Influence of potentially diluted shares - employee compensation	<u>1,728</u>	<u>938</u>
Weighted average number of common shares outstanding (after adjusting the impact of diluting potential common shares)	<u>118,367</u>	<u>117,577</u>
	<u>\$ 8.85</u>	<u>6.30</u>

(14) Revenue from Contracts with Clients

1. Disaggregation of revenue

	2022	2021
Timing of revenue recognition:		
Gradually transferred constructions over time	\$ 14,172,015	10,714,021
Gradually transferred services over time	<u>3,349</u>	<u>5,992</u>
	<u>\$ 14,175,364</u>	<u>10,720,013</u>

2. Contract balances

	2022.12.31	2021.12.31	2021.1.1
Notes and accounts receivable			
(including related parties)	\$ 2,471,577	1,823,072	2,828,300
Less: Loss allowance	<u>(7,551)</u>	<u>(7,551)</u>	<u>-</u>
Total	<u>\$ 2,464,026</u>	<u>1,815,521</u>	<u>2,828,300</u>
Contract asset-construction	\$ 1,841,624	2,139,978	1,419,467
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,841,624</u>	<u>2,139,978</u>	<u>1,419,467</u>
Contract liability-construction	<u>\$ 1,543,225</u>	<u>444,657</u>	<u>1,495,664</u>

Please refer to Note 6(3) for the disclosure of accounts receivable and their impairment.

The changes in contract assets and contract liabilities are mainly due to the difference between the time when the Company transfers commodity or services to clients to meet the performance obligations and the time when clients pay. Therefore, there was no other material change in 2022 and 2021.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

(15) Remuneration to employees and Directors

The company's Articles of Incorporation stipulate that, after annual earnings first offset against any deficit, a minimum of 0.5% shall be allocated as employee compensation and a maximum of 2% as directors' remuneration. However, profits must first be taken to offset against cumulative losses if any.

The Company's estimated remuneration of employees in 2022 and 2021 are NT\$78,402,000 and NT\$49,810,000 respectively, and those of Directors are NT\$28,583,000 and NT\$19,602,000 respectively. That is based on the Company's profit before tax before deducting remuneration of employees, and Directors during the period multiplied by the remuneration distribution ratio of employees, and Directors stipulated in the Articles of Association of the Company as the estimated basis, and reported as the operating costs and operating expenses in 2022 and 2021. There was no difference between the actual amount of employees' and directors' remuneration in 2021 and the estimated amount in the Company's parent company only financial statements for 2021; the difference of NT\$2,060,000 between the amount resolved by the Board of Directors and the estimated amount in the parent company only financial statements for 2022 was treated as a change in accounting estimate and recognized as profit or loss in 2023.

(16) Non-operating income and expenses

1. Interest income

The details of interest income of the Company in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Bank deposits	\$ 18,625	2,593
Interest income from short bills	2,968	4,887
Other interest income	42	2,087
	<b>\$ 21,635</b>	<b>9,567</b>

2. Other income

Details of other income of the Company in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Dividend income	\$ 1,375	1,200
Rental income	12	11
Other income	9,968	512
	<b>\$ 11,355</b>	<b>1,723</b>

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

3. Other gains or losses

Details of other gains and losses of the Company in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Exchange loss	\$ (265)	-
Gains on disposal of property, plant and equipment	-	33
Gain on lease modification	-	58
Impairment loss	-	(18,618)
Other expenses	-	(1,074)
	<b>\$ (265)</b>	<b>(19,601)</b>

4. Financial costs

Details of the financial cost of the Company in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Interest expense		
Bank loans	\$ 4,106	1,172
Others	46	212
	<b>\$ 4,152</b>	<b>1,384</b>

(17) Financial Instruments

1. Credit risk

(1) Credit risk exposure

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

(2) The concentration of credit risk

Revenues of the Company in 2022 and 2021 are derived from the sales to domestic clients; the clients of the Company are concentrated in the construction industry, technology industry and government public construction. Among the notes receivable and balance of accounts receivable as of December 31, 2022 and 2021, 99% and 94% were composed of 4 and 6 clients, respectively, but mainly companies in the Group, creditworthy companies and government agencies. Therefore, no material concentration of credit risk is found in the evaluation of the Company. The Company still regularly evaluates the possibility of recovery of accounts receivable and provides the allowance for bad debts also the loss of bad debts is within the expectation of the management.

(3) Credit risk of receivables

Please refer to Note 6(3) for credit risk exposure information of notes and accounts receivable.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

2. Liquidity risk

The following table shows the contractual maturity of financial liabilities, including estimated interest but excluding the impact of net amount agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 485,000	490,935	490,935	-	-	-
Notes payable	336,499	336,499	336,499	-	-	-
Accounts payable	4,340,075	4,340,075	2,449,916	1,890,159	-	-
Other payables	372,504	372,504	372,504	-	-	-
Other current liabilities (leases liabilities)	6,475	6,598	6,598	-	-	-
Other non-current liabilities (leases liabilities)	6,215	6,436	-	6,141	295	-
	<u><b>\$ 5,546,768</b></u>	<u><b>5,553,047</b></u>	<u><b>3,656,452</b></u>	<u><b>1,896,300</b></u>	<u><b>295</b></u>	<u><b>-</b></u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 200,000	201,400	201,400	-	-	-
Notes payable	274,632	274,632	274,632	-	-	-
Accounts payable	4,088,298	4,088,298	2,124,270	1,964,028	-	-
Other payables	289,924	289,924	289,924	-	-	-
Other current liabilities (leases liabilities)	1,661	1,680	1,680	-	-	-
Other non-current liabilities (leases liabilities)	1,119	1,150	-	1,150	-	-
	<u><b>\$ 4,855,634</b></u>	<u><b>4,857,084</b></u>	<u><b>2,891,906</b></u>	<u><b>1,965,178</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

The Company does not expect that the occurrence timing of cash flow analyzed on due date would arrive significantly earlier, or the actual amount would significantly vary.

3. Interest Rate Analysis

The risk of interest rate exposure on the financial assets and financial liabilities of the Company is described in the liquidity risk management of this note.

The following sensitivity analysis is determined by the interest rate risk exposure of derivative and non-derivative instruments on the reporting date. For floating rate liabilities, the analysis method presumes that the amount of outstanding liabilities on the reporting date is outstanding throughout the year. The rate of change used in reporting the interest rate to the key management within the Company is 0.5% increase or decrease in the interest rate, which also signifies the management's evaluation of the reasonable range of likely fluctuations in the interest rate.

4. Other Price Risk

On the reporting date, if the price of equity securities fluctuates (two periods of analysis are based on the same basis, assuming that other variable factors remain unchanged), the impact on the comprehensive profit and loss items is as follows:

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

	2022	2021
<b><u>Securities price on the reporting date</u></b>	<b>After-tax other comprehensive income</b>	<b>After-tax other comprehensive income</b>
Up by 10%	<u>\$ 1,606</u>	<u>2,076</u>
Down by 10%	<u>\$ (1,606)</u>	<u>(2,076)</u>

5. Fair Value Information

(1) Type and fair value of financial instruments

Financial assets measured at fair value through other comprehensive income are measured at fair value on a repeatability basis. The carrying amount and fair value of various types of financial assets and financial liabilities (including fair value level information, then again the carrying amount of financial instruments not measured by fair value is a reasonable approximation, and the fair value of equity instrument investment without quotation in the active market that cannot be reliably measured, the fair value is not required to be disclosed according to regulations) are listed as follows:

	2022.12.31				
	<b>Carrying amount</b>	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	\$ 16,060	16,060	-	-	16,060
Financial Assets Measured at Amortized Cost					
Cash and cash equivalents	\$ 4,690,359	-	-	-	-
Notes receivable and accounts receivable (including related parties)	2,464,026	-	-	-	-
Other financial assets-current	1,589,682	-	-	-	-
Other financial assets-non-current	16,534	-	-	-	-
Subtotal	<u>8,760,601</u>	-	-	-	-
Total	<u>\$ 8,776,661</u>	<u>16,060</u>	<u>-</u>	<u>-</u>	<u>16,060</u>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 485,000	-	-	-	-
Notes payable and accounts payable	4,676,574	-	-	-	-
Other payables	372,504	-	-	-	-
Other current liabilities (leased assets)	6,475	-	-	-	-
Other non-current liabilities (leased assets)	6,215	-	-	-	-
Total	<u>\$ 5,546,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

	2021.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value through Other Comprehensive Income	\$ 20,763	20,763	-	-	20,763
Financial Assets Measured at Amortized Cost					
Cash and cash equivalents	\$ 3,773,795	-	-	-	-
Notes receivable and accounts receivable (including related parties)	1,815,521	-	-	-	-
Other financial assets-current	310,105	-	-	-	-
Other financial assets-non-current	22,324	-	-	-	-
Subtotal	5,921,745	-	-	-	-
Total	<b><u>\$ 5,942,508</u></b>	<b><u>20,763</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>20,763</u></b>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 200,000	-	-	-	-
Notes payable and accounts payable	4,362,930	-	-	-	-
Other payables	289,924	-	-	-	-
Other current liabilities (leased assets)	1,661	-	-	-	-
Other non-current liabilities (leased assets)	1,119	-	-	-	-
Total	<b><u>\$ 4,855,634</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

(2) Fair value evaluation technique of financial instruments measured at fair value

Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, then the active market quotation shall be the fair value. The market price of the major Exchanges and the market price of popular central government bonds judged and released by the Taipei Exchange, which is the basis of the fair values of TWSE/TPEX listed equity instruments and debt instruments with active market quotations.

If the public quotation of a financial instrument can be obtained from an exchange, broker, underwriter, industry association, pricing service agency or competent authority in a timely and frequent manner, and the price represents the actual and regular fair market transactions, then the financial instrument has an active market quotation. If the above conditions are not met, the market is deemed not active. Generally speaking, large difference in buying and selling price, significant increase of buying and selling price, and few transactions are indexes of market not active.

If the financial instruments held by the Company fit into an active market, their fair values are listed according to the categories and attributes as follows:

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

The stock of a TWSE/TPEX listed company is a financial asset with standard terms and traded in an active market, and its fair value is determined by reference to the market quotation.

In addition to the aforementioned financial instruments with an active market, the fair value of other financial instruments is acquired by valuation technique or by reference to the counterparty quotes. The fair value acquired through valuation technique can refer to the current fair value, the discounted cash flow method or other valuation techniques for financial instruments with similar substantive conditions and characteristics in essence, including the market information available on the reporting date using the model (such as the reference yield curve of the OTC market and the average quotation of Reuters commercial promissory note rate).

- (3) There was no matter of transfer between each level during the periods from January 1 to December 31, 2022 and 2021.

(18) Financial Risk Management

1. Outline

The Company is exposed to the following risks due to the use of financial instruments:

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

The notes convey the aforementioned various risk exposure of the Company and the objectives, policies, and procedures for the measurement and risk management of the Company. For further quantitative disclosure, please refer to the notes in the parent company only financial report.

2. Risk Management Framework

- (1) Risk management policies:

In the process of operation, enterprises often encounter many uncertain factors that may threaten their operations. In order to perceive and control them as early as possible and reduce the losses caused by the occurrence of risks, a good risk management policy is essential. The Board of Directors of the Company establishes the overall risk management policy in line with the operating strategy, operating environment and department plan. Its main subjects include the aspects of the environment, internal and external operational flow, and strategic decision-making, etc. Furthermore, the Board of Directors shall put forward risk management reports on the resolutions, deliverables, supervision, and subsequent execution process of various risk management issues. So when the future

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

operation and management encounter similar or the same problems, it can refer to the experience and propose better solutions.

(2) Organizational structure of risk management:

Each hierarchy level or department of the Company shall be responsible for the risks. Once the situation is found to be wrong, it shall promptly report to the auditing office or the senior executive and seek solutions as soon as possible. The decision-maker shall also take action within the shortest time.

The organizational structure of risk management of the Company is as follows:

Name of Organization	Scope of Responsibilities
The Board of Directors	Establish risk management policies and ensure the effective operation and resource allocation of risk management mechanism
Senior Management	Implement risk management decisions of the Board of Directors Coordinate risk management affairs across departments
Auditing Office	Conduct daily risk management audit Supervise risk management activities and report the implementation to the Board of Directors
Other Departments	Consolidate the implementation results of risk management activities Conduct daily risk management operations Determine the risk category depending on environmental changes, and propose the undertaking plan

3. Credit risk

Credit risk refers to the risk of financial loss due to the failure of the Company's clients or counterparties of financial instruments to perform their contractual obligations. It mainly comes from the accounts receivable from clients and securities investment of the Company.

(1) Accounts receivable and other receivables

The credit risk exposure of the Company is primarily affected by the individual circumstances of each client. The management also considers the statistical data of the Company's client base, including the default risk of the client's industry and country, as these factors may affect the credit risk. In order to reduce the credit risk of receivables, the Company continuously assesses the financial status of its clients and requires the counterparty to provide collaterals or guarantees when necessary.

(2) Investment

The credit risks of bank deposits, fixed-income investments, and other financial instruments are measured and monitored by the financial department of the Company. Given that the trading counterpart and the contract performing party of the Company are financial institutions, corporate organizations, and

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

government agencies with good credit, there is no material credit risk because there is no significant doubt about the contract performance.

(3) Guarantee

The Company's policy stipulates that financial guarantee can only be provided to fully-owned affiliated companies and companies with business interaction. As of December 31, 2022 and 2021, the endorsement guarantee provided by the Company was both NT\$14,192,000.

4. Liquidity risk

Liquidity risk refers to the risk that the Company is unable to deliver cash or other financial assets to settle financial liabilities and fails to perform relevant obligations. The method of managing the liquidity of the Company is to ensure that the Company has sufficient circulating capital to pay for its due liabilities under normal and stressful conditions, without any risk of unacceptable loss or damage to the reputation of the Company.

Generally speaking, the Company ensures that there is sufficient cash to meet the needs of expected operating expenses, including the performance of financial obligations, but excluding the potential impact that cannot be reasonably expected under extreme circumstances, such as natural disasters. Moreover, the unused comprehensive loan facilities (including NTD loans, letters of credit, and commercial paper facilities) of the Company on December 31, 2022 and 2021 totaled NT\$7,099,010,000 and NT\$4,662,680,000.

5. Market Risk

Market risk refers to the risk that changes in market prices, such as exchange rate, interest rate, and equity instrument price will affect the earnings of the Company or the value of the financial instruments it holds. The goal of market risk management is to control the market risk to an acceptable extent and optimize the return on investment.

(1) Interest rate risk

The policy of the Company is to ensure that the risk of borrowing interest rate fluctuation is based on fixed interest rates. To achieve this goal, part of this is through the signing of fixed interest rate instruments, and part is through the borrowing floating interest rates, and the use of interest rate swap contracts is attributed to avoid the cash flow variability due to interest rate fluctuations.

(2) Other market price risks

The Company has the risk of exposure in equity price due to the equity securities investment of TWSE/TPEX listed companies. The equity investment is not held for trading but a strategic investment. The Company has not actively traded such investments, and the managing personnel of the Company manage the risks by holding different risk investment portfolios.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

(19) Capital management

The goal of the capital management of the Company is to ensure the ability to sustain operation to continuously offer the shareholders' remuneration and other stakeholders' interests and to maintain the best capital structure to reduce the cost of capital.

In order to maintain or recapitalize structure, the Company may adjust the dividends paid to the shareholders, refund of capital reduction to shareholders, issue new shares, or sell assets to settle the liabilities.

The Company is the same as its peers and uses debt to capital ratio as the foundation of capital control. The ratio is calculated by dividing net indebtedness over the capitalization. Net indebtedness is the total liabilities, shown in the balance sheets, less cash and cash equivalents. Capitalization is the entire component of equity (that is, equity, capital surplus, retained earnings, and other equity) plus net indebtedness.

The capital management strategy of the Company in 2022 is consistent with that in 2021, to ensure financing at a reasonable cost. The liability-to-capital ratios as at December 31, 2022 and December 31, 2021 are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Total Liabilities	\$ 7,542,278	5,690,465
Less: Cash and cash equivalents	<u>(4,690,359)</u>	<u>(3,773,795)</u>
Net liabilities	2,851,919	1,916,670
Total Equity	<u>4,186,245</u>	<u>3,510,933</u>
Adjusted capital	<u>\$ 7,038,164</u>	<u>5,427,603</u>
Debt-to-capital ratio	<u>41%</u>	<u>35%</u>

**7. Related-Party Transactions**

(1) The parent company and the ultimate controlling party

Kindom Development Co., Ltd. is the parent company of the Group and the ultimate controller of the Group to which it belongs and holds 34.18% of the outstanding ordinary shares of the Group. Kindom Development Co., Ltd. has prepared consolidated financial statements for public use.

(2) Names and relation of related parties

The related parties which have trading with the Company within the period of the parent company only financial report are as follows:

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Kindom Development Co., Ltd.	The parent company of the Company
Guanqing Electromechanical Co., Ltd.	The Company's subsidiary
Dingtian Construction Co., Ltd.	The Company's subsidiary
ReadyCom eServices Corp.	Associates
Kindom Yu San Education Foundation	The entity's chairman is the first-degree relatives of the Company's Directors

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

(3) Significant transactions with related parties

1. Sales of services to related parties

The substantial sales amount of the Company to related party were as follows:

		2022			
		Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
	Nature				
Parent company-Kindom Development Co., Ltd.	Engineering construction	<u>\$ 13,491,658</u>	<u>4,286,047</u>	<u>1,886,595</u>	<u>1,822,037</u>
		2021			
		Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
	Nature				
Parent company-Kindom Development Co., Ltd.	Engineering construction	<u>\$ 10,935,738</u>	<u>7,358,430</u>	<u>2,444,757</u>	<u>2,828,862</u>

(1) The constructions contracted by the Company from the related parties are compliant to the outsourcing regulations of the related parties, plus a reasonable management fee and profit in accordance with the project budget, and after the price comparison and negotiation procedures, the contract prices are determined after they are submitted to the supervisors for approval.

(2) From January 1 to December 31, 2022 and 2021, the gross profit margin of the constructions contracted by the Company from non-affiliates was approximately 5.50% ~ 25.18% and 1.92% ~ 25.87%; that of the affiliates was about 2.03% ~ 4.63% and 3.74% ~ 4.64%, respectively.

2. Contracted works

The current valuation amount of the works contracted by the Company to related parties is as follows:

	2022			2021		
	Total contract amount	Valuated amount	Current valuation amount	Total contract amount	Valuated amount	Current valuation amount
Subsidiary	<u>\$ 2,169,637</u>	<u>305,908</u>	<u>124,924</u>	<u>830,627</u>	<u>724,778</u>	<u>275,256</u>

The total price of the project contract is based on the negotiation between the two parties, and the payment is made based on the progress of the project according to the contract concluded after the negotiation.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

3. Contract assets and receivables from related parties

The Company's details of receivables from related party were as follows:

<u>Accounting items</u>	<u>Type of related parties</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes and accounts receivable	Parent company-Kindom Development Co., Ltd.	\$ 570,121	820,009
Contract assets	Parent company-Kindom Development Co., Ltd.	172,049	201,827
Contract assets (retention receivables)	Parent company-Kindom Development Co., Ltd.	<u>44,503</u>	<u>16,746</u>
		<b><u>\$ 786,673</u></b>	<b><u>1,038,582</u></b>

For 2022 and 2021, the collection period of the Company from related parties was 50% due immediately, 50% due in 60 days, or 100% due in 90 days; for 2022 and 2021, one to two and one assessment were performed on general cases in a month, 100% due immediately, or 100% due in 30 days, or 50% due in 30 days, 50% due in 90 days.

4. Payables to related parties

The Company's details of payables to related party were as follows:

<u>Accounting items</u>	<u>Type of related parties</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes payable	Subsidiary	\$ -	441
Accounts payable	Subsidiary	60,678	68,699
Other payables	Parent company	111	-
Other payables	Associates	<u>150</u>	<u>-</u>
		<b><u>\$ 60,939</u></b>	<b><u>69,140</u></b>

5. Endorsements/guarantees

On December 31, 2022 and 2021, the Company is the joint partner and joint debtor of the ultimate parent company Kindom Development Co., Ltd. for cooperative development and construction, with the amount of NT\$14,192,000.

6. Leases

In 2022 and 2021, the Company leased to parent company Kindom Development Co., Ltd. office building and signed a tenancy agreement concerning the rental market of offices in neighboring areas. The total contract value is NT\$294,000 per month. The rental income for both 2022 and 2021 was NT\$3,360,000.

The Company leased office building from its parent company Kindom Development Co., Ltd., with a total contract value of NT\$575,000 per month for both 2022 and 2021. The rental expense for 2022 and 2021 is NT\$6,571,000.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

7. Others

- (1) In 2022 and 2021, the Company donated NT\$9,000,000 and NT\$6,000,000 to Yu San Education Foundation, a syndicate legal entity, for the promotion of the foundation's business.
- (2) In 2022, the Company entered into a professional service contract with a subsidiary, for the provision of engineering research, recommendation, and education by the subsidiary at a total contract price of NT\$977 thousand, which was fully settled as of December 31, 2022.
- (3) The Company signed the information project service contract with ReadyCom eServices Corp. with a total contract value of NT\$50 thousand per month in December 2021.

(4) Key management personnel transactions

Remuneration to major management personnel includes:

	2022	2021
Short-term Employee Benefits	\$ 158,003	108,470
Benefits after retirement	217	223
	<b>\$ 158,220</b>	<b>108,693</b>

**8. Pledged Assets**

The Company's details of the carrying value of pledged assets and restricted assets were as follows:

Name of assets	Pledge guarantee object	2022.12.31	2021.12.31
Other financial assets - current	Loan facilities collaterals, construction guarantees and restricted assets	\$ 1,543,062	179,276
Property, plant, and equipment - net	Loan facilities collaterals	99,400	53,200
Net amount of investment property	Loan facilities collaterals	48,689	95,121
		<b>\$ 1,691,151</b>	<b>327,597</b>

**9. Significant Contingent Liabilities and Unrecognized Contract Commitments**

(1) Significant unrecognized contract commitments:

1. On December 31, 2022 and 2021, the total amounts of material construction contracts by the Company were NT\$54,139,748,000 and NT\$46,613,096,000 respectively, and the payments received according to the contract were NT\$17,357,651,000 and NT\$7,741,953,000, respectively.
2. As of December 31, 2022 and 2021, the guaranteed note issued by the Company for construction were NT\$57,992,000 and NT\$401,342,000, respectively.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

3. As of December 31, 2022 and 2021, the bank's guarantee issued by the Company for construction warranties, performance bonds and prepayment guarantees were NT\$4,279,154,000 and NT\$2,701,314,000, respectively.
4. Approved by the Board of Directors on December 23, 2022, and December 27, 2021, the Company committed to donate NT\$8,000,000 and NT\$9,000,000 to the Kindom Yu San Education Foundation in 2023 and 2022 for the promotion of the foundation's business.

**10. Significant Disaster Loss: None.**

**11. Significant Events after the End of the Financial Reporting Period: None.**

**12. Others**

- (1) The function of employee benefits, depreciation, depletion, and amortization are summarized as follows:

Function Nature	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salaries and wages	\$ 571,308	157,911	729,219	458,930	159,109	618,039
Labor insurance and national health insurance	42,216	10,382	52,598	36,198	9,521	45,719
Pension expenses	18,027	5,694	23,721	16,363	5,175	21,538
Remuneration of Directors	-	31,943	31,943	-	22,962	22,962
Other employee benefits expenses	14,439	15,294	29,733	11,009	10,758	21,767
Depreciation expense	4,775	12,431	17,206	5,189	14,277	19,466
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	-	-	-	-	-

- (2) The Company's employee number and employee benefit expenses in 2022 and 2021 are as follows:

	2022	2021
Number of employees	<u>783</u>	<u>658</u>
Number of Directors who are not employees	<u>6</u>	<u>6</u>
Average employee benefits	<u>\$ 1,075</u>	<u>1,084</u>
Average employee salaries and wages	<u>\$ 939</u>	<u>948</u>
Adjustments to average employee salary expenses (note)	<u>(0.95)%</u>	
Supervisors' remuneration	<u>\$ -</u>	<u>-</u>

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

Note: The Company's salary expenses reflect the manpower structure of each year's operating requirements and the performance of the progress of the project completion. The above number of employees includes foreign workers who receive basic wages. Out of the Company's salary expenses in 2022 and 2021, the salary increase of non-executive full-time employees was 6.30% and 3.02% respectively. The number of workers accounted for 30% and 20% of the total number of employees in the two years, respectively. Due to the increase in the proportion of foreign workers, the average salary expenses decreased slightly.

- (3) The Company's salary and remuneration policy (including Directors, managers, and employees) is as follows:
1. The Company's employee salary and remuneration policy is committed to providing employees with compensation and salary which meets the salary market dynamics and responds to changes in economic conditions and government regulations. Employee compensation mainly consists of basic payroll (including salary and fixed allowances, etc.), year-end and performance bonuses, etc. Each year, according to the operating conditions and internal and external salary analysis, the Company sets out salary adjustment policies in due course; the average rate of increase in the past two years was about 4.7%.
  2. According to the Company's operating results, reference to the domestic industry bonus level and the Articles of Association, the Company shall decide the total number of year-end bonuses and compensation. The remuneration committee shall submit the amount and distribution method for approval by the Board of Directors. The amount allocated to each employee depends on the job, contribution and performance; the minimum salary standards for employees without working experience and foreign workers are in accordance with government regulations.
  3. The Company's remuneration policy for the manager is based on the Company's operating strategy, profit status, performance and job contribution, and reference to the salary market. The Remuneration Committee shall submit for approval by the Board of Directors.
  4. According to the Articles of Association, the Company's remuneration for the Chairman and Director is authorized to the Board which shall agree on the common industry standard according to its degree of participation in the operation and value of the contribution. The Articles of Association also specifies that no more than 2% of the annual profit shall be the remuneration of directors. Independent Directors receive a fixed monthly remuneration and do not participate in the distribution of the Directors' remuneration mentioned above.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

**13. Disclosure Notes**

(1) Information on Material Transactions

In 2022, under Regulations Governing the Preparation of Financial Reports by Securities Issuers, information related to material transactions should be disclosed by the Company is as the following:

1. Loan of funds to others: none.
2. Endorsement/guarantees for others:

Unit: NT\$ thousand

No.	Name of endorsee/guarantee provider	Subject of endorsements/guarantees		Limit of Endorsements/guarantees for a Single Entity (Note 2)	Maximum balance for this period	Outstanding Endorsements/guarantees - Ending	Actual expenditure	Endorsement guarantee amount secured by the property	The ratio of accumulated endorsement guarantee amount to the net value of the latest financial statements	Limit of Endorsements/guarantees (Note 2)	Endorsement/guarantees provided by subsidiaries to parent company	Endorsement/guarantees provided by parent company to subsidiaries	Endorsement/guarantee provided to subsidiary in China
		Company name	Relationship (Note 1)										
0	Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	Parent/Subsidiary Company	8,372,491	14,192	14,192	14,192	-	0.34%	8,372,491	-	Y	-
1	Dingtian Construction Co., Ltd.	Kindom Development Co., Ltd.	Parent/Subsidiary Company	47,780	14,192	14,192	14,192	-	29.70%	47,780	-	Y	-
1	"	Kedge Construction Co., Ltd.	"	7,166,999	1,376,500	1,376,500	1,376,500	-	2,880.91%	14,333,998	-	Y	-

Note 1: Listed below are 7 types of relationship between the endorser and the endorsee, simply indicating the type will do:

- (1) A company with which the Company has business relationship.
- (2) A company in which the Company directly or indirectly holds more than 50% of the voting shares.
- (3) A company that directly or indirectly holds more than 50% of the voting shares in the Company.
- (4) Companies in which the Company holds directly or indirectly 90% or more of the voting rights.
- (5) Where a company fulfills its contractual obligations by providing mutual endorsements for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) Where all capital contributing shareholders make endorsements for their jointly invested company in proportion to their shareholding percentages.
- (7) Where companies in the same industry provide among themselves joint and several securities for a performance bond of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2:

1. The Company's endorsement method is that the total amount of external endorsements shall not exceed 200% of the net value of the Company's latest financial statements, and the endorsement amount for a single enterprise shall not exceed 200% of the net value of the Company's latest financial statements. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 10 times of its net equity as stated in its latest financial statement, and the aggregate amount of endorsements/guarantees on a single construction project shall not exceed 5 times of its net equity as stated in its latest financial statements.
2. The endorsement method of Dingtian Construction Co., Ltd. is that the total amount of external endorsement shall not exceed 100% of the net value of the latest financial statements of the Company, and the endorsement amount for a single enterprise shall not exceed 100% of the net value of the latest financial statements of the Company. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 300 times of its net equity as stated in its latest financial statement, and the aggregate amount of endorsements/guarantees on a single construction project shall not exceed 150 times of its net equity as stated in its latest financial statements.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

Note 3: The above transactions have been written off at the time of preparation of the consolidated financial statements.

3. Securities held at the end of the period (excluding investment in subsidiaries, associates and interest in joint ventures):

Unit: NT\$ thousand

Holding company	Types and names of securities	Relationship with the securities issuer	Accounting item	End of period				Remarks
				Number of shares (thousand shares)	Carrying amount	Shareholding Ratio	Fair value	
Kedge Construction Co., Ltd.	Shares - Kindom Development Co., Ltd.	Kedge Construction Co., Ltd. is its subsidiary	Financial assets measured at fair value through other comprehensive income - non-current	550	\$ 16,060	0.10 %	16,060	
Jiequn Investment Co., Ltd.	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	563	31,723	- %	31,723	
"	Shares - SinoPac Financial Holdings Co., Ltd.	-	"	213	3,572	- %	3,572	
"	Shares - Kindom Development Co., Ltd.	Jiequn Investment is the second-tier subsidiary of that company.	Financial assets measured at fair value through other comprehensive income - non-current	9,373	273,694	1.69 %	273,694	
"	Shares - Fubon Financial C Special	-	"	11	603	- %	603	
"	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	"	405	-	0.78 %	-	
Guanqing Electromechanical Co., Ltd.	Shares - Kindom Development Co., Ltd.	Guanqing Electromechanical is the second-tier subsidiary of that company.	"	1,768	51,617	0.32 %	51,617	
"	Shares - Fubon Financial C Special	-	"	10	535	- %	535	
Guanqing Electromechanical Co., Ltd.	Shares - Global Views-Commonwealth Publishing Co.	-	Financial assets measured at fair value through other comprehensive income - non-current	160	6,766	0.59 %	6,766	
"	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	500	28,176	- %	28,176	

4. Accumulated to buy or sell the same marketable securities amount to NT\$300 million or more than 20% of the paid-up capital: None.
5. The amount of property acquired reaches NT\$300 million or more than 20% of the paid-in capital: none.
6. The amount of property disposal reaches NT\$300 million or more than 20% of the paid-in capital: none.
7. Where the amount of goods purchased or sold with related parties reaches NT\$100 million or more than 20% of the paid-in capital: none.

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

Unit: NT\$ thousand

Purchases (Sales) Company	Name of transaction counterpart	Relationship	Transaction situation				The situation and reason for the difference between the transaction terms and the general transaction		Notes/accounts receivable (or payable)		Remarks
			Purchases/sales	Amount (Note)	As a percentage of total purchase (sales)	Loan period	Unit Price	Loan period	Balance	Ratio to total notes and accounts receivable (payable)	
Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	An investment company that evaluates Kedge Construction Co., Ltd. by the equity method	Contracting	\$ (1,886,595)	(12.44)%	Payment by installment following the contract is slightly longer than general transaction.	Equivalent to other transactions	Slightly longer than normal	614,624	20.27%	

Note : Refers to the valuation amount for current period.

8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Unit: NT\$ thousand

The companies that record such transactions as receivables	Name of transaction counterpart	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the period	Provisions for loss allowance
					Amount	Treatment Method		
Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	An investment company that evaluates Kedge Construction Co., Ltd. by the equity method	\$ 614,624	2.51	-	-	62,780	-

9. Derivative financial instrument transactions: None.

(2) Information on Reinvestment

The information on the reinvestment of the Consolidated Company in 2022 is as follows:

Unit: thousand NTD/thousand shares

Name of investment company	Name of Investee	Location	Principal business	Original investment amount		Holdings at the end of the period			Net income (loss) of the investee	Share of profit/loss of investee	Remarks
				End of this period	End of last year	Number of Shares	Ratio	Carrying amount			
Kedge Construction Co., Ltd.	Jiequn Investment Co., Ltd.	Taiwan	General Investment	\$ 163,935	163,935	16,396	99.98%	434,730	14,466	14,463	Subsidiary
Kedge Construction Co., Ltd.	Guangqing Electromechanical Co., Ltd.	Taiwan	Electrical equipment installation and fire safety equipment installation, etc.	81,326	81,326	7,747	99.96%	228,533	(759)	(759)	"
Jiequn Investment Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	14,334	(293)	(88)	Second-tier subsidiary
Guangqing Electromechanical Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	33,446	(293)	(205)	"
Dingtian Construction Co., Ltd.	ReadyCom eServices Corp.	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	14,392	(1,560)	(728)	Investments accounted for using equity method

**Notes to the Parent Company Only Financial Statements of KEDGE  
CONSTRUCTION CO., LTD. (continued)**

Note: The transactions of the above subsidiaries and second-tier subsidiaries have been written off at the time of preparing the consolidated financial statements.

(3) Information on Investments in Mainland China:

1. Relevant information incl. names and principal business of investees in Mainland China: None.
2. Limit of investment in Mainland China: None.
3. Material transactions with investee companies in Mainland China: None.

(4) Information on Major Shareholders:

<b>Name of Major Shareholders</b>	Expressed in shares	
	<b>Shareholding</b>	<b>Shareholding</b>
	<b>(shares)</b>	<b>Ratio</b>
Kindom Development Co., Ltd.	39,872,544	34.18%
Yute Investment Co., Ltd.	9,664,089	8.28%

**14. Segment Information**

Please refer to the 2022 Consolidated Financial Statements.

**Kedge Construction Co., Ltd.**  
**List of Cash and Cash Equivalents**  
**December 31, 2022**

Unit: NT\$ thousand

Items	Summary	Amount
Cash and petty cash		\$ 320
Bank deposits	Demand deposits	320,037
	Check deposits	1,761,494
	Time deposits	2,608,508
		<u>\$ 4,690,359</u>

**List of Accounts Receivable**

Account Name	Summary	Amount	Remarks
Company A	Project receivables	\$ 1,618,983	
Company B	"	131,984	
Others	"	150,489	Each client balance does not reach 5% of the account
Less: Loss allowance		<u>(7,551)</u>	
		<u>\$ 1,893,905</u>	
<b>Related parties</b>			
The investing company values the Company by the equity method (parent companies)	Project receivables	<u>\$ 570,121</u>	

**Kedge Construction Co., Ltd.**  
**List of Contract Assets/Liabilities**  
**December 31, 2022**

**Unit: NT\$ thousand**

<b>Project Name</b>	<b>Cumulative Costs Accrued and Profit Recognized</b>	<b>Accumulated Project Progress Payment Amount</b>	<b>Contract assets</b>	<b>Contract liabilities</b>
071P	\$ 1,463,930	1,418,499	45,431	-
071S	1,226,367	1,189,688	36,679	-
081B、081C	1,918,762	1,971,404	77,508	52,642
081F	1,726,548	1,906,433	90,595	179,885
091A	2,148,706	2,011,131	233,169	-
091D	349,423	332,723	37,661	-
091E	1,399,347	1,250,318	214,671	-
101B	239,695	205,317	46,711	-
101C	1,043,957	964,672	79,285	-
101D	804,281	577,784	226,497	-
101F	469,391	355,162	131,452	-
101G	180,049	1,428,742	3,782	1,248,693
101I	2,671,657	2,335,168	336,489	-
101J	532,534	508,822	23,712	-
111A	63,074	42,952	22,829	-
111B	152,171	133,835	26,768	-
111D	662,996	725,001	-	62,005
Others	35,518	-	35,518	-
Case closed	-	-	172,867	-
	<b>\$ 17,088,406</b>	<b>17,357,651</b>	<b>1,841,624</b>	<b>1,543,225</b>

**Kedge Construction Co., Ltd.**  
**List of changes in investments under equity method**  
**From January 1 to December 31, 2022**

Unit: thousand shares / NT\$ thousand

Name	Beginning balance		Increase in the current period (Note)		Decrease in the current period (Note)		Ending Balance			Equity net worth		Guarantee, pledge or Lending summary	Remarks
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Shareholding Ratio	Amount	Unit Price	Total Price		
Jiequn Investment Co., Ltd.	16,396	\$ 500,444	-	14,463	-	80,177	16,396	99.98%	434,730	-	434,826	-	
Guanqing Electromechanical Co., Ltd.	7,747	244,315	-	-	-	15,782	7,747	99.96%	228,533	-	228,622	-	
		<u>\$ 744,759</u>		<u>14,463</u>		<u>95,959</u>			<u>663,263</u>		<u>663,448</u>		

Note 1: Increase in the current period is due to NT\$14,463,000 from the share of profits of subsidiaries recognized by the equity method.

Note 2: The decrease in the current period is due to NT\$759,000 from the share of losses of subsidiaries recognized by the equity method and NT\$95,200,000 in the unrealized assessment loss of equity instrument investment measured at fair value through other comprehensive income.

**Kedge Construction Co., Ltd.**  
**List of Sther Financial Assets - Current**  
**December 31, 2022**

Unit: NT\$ thousand

Items	Summary	Amount
Restricted assets		\$ 1,543,062
Project refundable deposit		36,430
Other payables		5,284
Others		4,906
		<b>\$ 1,589,682</b>

**List of Notes Payable**

Items	Summary	Amount	Remarks
Company A	Project receivables	\$ 48,121	
Company B	//	23,320	
Company C	//	22,382	
Company D	//	18,892	
Company E	//	18,818	
Others	//	204,966	Each client balance does not reach 5% of the account
		<b>\$ 336,499</b>	

**List of Accounts Payable**

Vendor	Summary	Amount	Remarks
Others	Project receivables and reserves	<b>\$ 4,340,075</b>	Each client balance does not reach 5% of the account

**Kedge Construction Co., Ltd.**  
**List of Operating Revenue**  
**From January 1 to December 31, 2022**

Unit: NT\$ thousand

Items	Summary	Amount
Construction Contract Revenues	061D	\$ 183,768
	071K	193,414
	071P	716,659
	071S	314,562
	091D	198,388
	111A	63,075
	111B	152,171
	081B、081C	948,992
	081F	671,290
	091A	1,367,931
	091E	606,260
	091F	1,372,287
	101A	109,592
	101B	239,695
	101C	1,014,304
	101D	578,485
	101E	265,727
	101F	469,391
	101G	180,049
	101H	715,196
	101I	2,671,657
	101J	532,533
	111D	662,997
	Others	<u>(56,408)</u>
	Subtotal	<u>14,172,015</u>
Rental Receipt of Investment		
Property		<u>3,349</u>
		<u><b>\$ 14,175,364</b></u>

**Kedge Construction Co., Ltd.**  
**List of Operating Costs**  
**From January 1 to December 31, 2022**

**Unit: NT\$ thousand**

<u>Items</u>	<u>Summary</u>	<u>Amount</u>
Construction Contract Costs	061D	\$ 175,267
	071K	184,485
	071P	714,806
	071S	301,687
	091D	182,211
	111A	60,154
	111B	145,126
	081B、081C	824,001
	081F	558,744
	091A	1,196,254
	091E	565,938
	091F	1,193,004
	101A	82,689
	101B	223,254
	101C	928,268
	101D	520,433
	101E	190,391
	101F	443,569
	101G	170,130
	101H	603,133
	101I	2,423,460
	101J	488,333
	111D	555,983
Others	(142,899)	
	Subtotal	<u>12,588,421</u>
Rental Cost of Investment Property		<u>232</u>
		<u><b>\$ 12,588,653</b></u>

**Kedge Construction Co., Ltd.**  
**List of Management Expense**  
**From January 1 to December 31, 2022**

Unit: NT\$ thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Payrolls		\$ 189,854	
Insurance premiums		14,734	
Endowments		9,200	
Employee benefits		9,809	
Labor expenses		16,826	
Sundry purchases		10,500	
Other expenses		55,910	
		<u>\$ 306,833</u>	