

**KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries**

**Consolidated 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*

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## **Statement of Declaration**

The entities that are required to be included in the consolidated financial statements of Kedge Construction Co., Ltd. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Kedge Construction Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Hereby declared

Company Name: Kedge Construction Co., Ltd.

Chairman: Ai-Wei Yuan

Date: March 14, 2023

## **Independent Auditors' Report**

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

### **Audit Opinion**

We have audited the Consolidated Balance Sheets of Kedge Construction Co., Ltd. and its subsidiaries as of December 31, 2022 and 2021, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated 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 Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Kedge Construction Co., Ltd. as of December 31, 2022 and 2021, and its consolidated financial performance and consolidated cash flows for the annual periods ended December 31, 2022 and 2021 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

### **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 the Consolidated Financial Statements. Following the code of professional ethics of accountants, the persons subject to the independence standards of our affiliated accounting firm have maintained their independence from the Kedge Group 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 consolidated financial statements of Kedge Construction Co., Ltd. and its subsidiaries. These matters were addressed in our audit of the consolidated financial report 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**

For accounting policies regarding construction contracts, please refer to Note 4(13) of the Consolidated Financial Statements for revenue recognition. For accounting estimates and hypothetical uncertainties of estimated total contract costs for construction contracts, please refer to Note 5 of the Consolidated Financial Statements. For details of revenue recognition and the accumulated cost incurred, please refer to Note 6 (15) of the Consolidated Financial Statements for revenue from customer contracts.

#### **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, the Kedge Group 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.

### **Other Matters**

Kedge Construction Co., Ltd. has also compiled Individual Financial Statements for 2022 and 2021, and they have also received an unqualified audit opinion from our CPA for your reference.

### **Responsibilities of the Management and Governing Body for the Consolidated Financial Statements**

It is the management's responsibility to fairly present the consolidated financial statements in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations and Interpretation Announcements endorsed and released effective by the Financial Supervisory Commission (FSC) and to sustain essential internal controls respecting the preparation of the consolidated financial statements so as to ensure that there is no material misrepresentation in the consolidated financial statements due to fraud or error.

In the preparation of the consolidated financial statements, the responsibility of management also includes the assessment of the sustainability of the Kedge Group, disclosure of relevant matters, as well as the adoption of the accounting base for continuing operations, unless the management intends to liquidate the Kedge Group 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. and its subsidiaries (including the Audit Committee) have the responsibility to oversee the process by which the financial statements are prepared.

### **Auditor's Responsibility for Auditing Consolidated Financial Statements**

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance as to whether the consolidated financial statements as a whole contains any material untruthful expression that may lead to fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high degree of assurance but is not a guarantee that an audit conducted in accordance with the Auditing Standards will always detect the existence of any material misrepresentation in the consolidated financial statements. 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 consolidated 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 consolidated financial statements due to fraud or error; Design and implement applicable countermeasures for the assessed risks, as well as obtain sufficient and appropriate audit evidence as to the basis 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 the Kedge Group.
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 the Kedge Group for continuing operations. If we believe that there is a material uncertainty in such events or circumstances, we shall remind the users of the consolidated financial statements to pay attention to the relevant disclosure of the consolidated financial statements in the audit 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 the Kedge Group no longer having the ability to going concerned.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements fairly represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group to express opinions on the consolidated financial statements. We are responsible for the guidance, supervision, and implementation of the Group's audit cases, and for forming the Group's audit opinions.

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 consolidated financial statements of Kedge Group 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.*

**KEDGE CONSTRUCTION CO., LTD. and Subsidiaries**

**Consolidated 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 (18))	\$ 4,947,697	42	4,024,912	43	2100	Short-term loans (Note 6(8), (18) and 8)	\$ 485,000	4	200,000	2
1110	Financial assets at fair value through profit or loss - current (Note 6(2) and (18))	63,471	1	80,722	1	2130	Current contract liabilities (Note 6(15))	1,533,575	13	444,657	5
1140	Current contract assets (Note 6(15) and 7)	1,881,176	16	2,159,046	23	2150	Notes payable (Note 6(18))	343,358	3	283,891	3
1170	Notes and accounts receivable, net (Note 6(4), (15) and (18))	1,893,905	16	1,004,862	11	2170	Accounts payable (Note 6(18))	4,391,029	37	4,142,887	45
1180	Notes and accounts receivable from related-parties, net (Note 6(15) and (18) and 7)	574,551	5	820,009	9	2200	Other payables (Note 6(11), (18) and 7)	381,350	3	295,238	3
1410	Prepayments	143,412	1	84,984	1	2230	Current tax liabilities	270,695	3	193,302	2
1470	Other current assets	52,072	-	46,619	1	2300	Other current liabilities (Note 6(18))	<u>11,150</u>	<u>-</u>	<u>16,605</u>	<u>-</u>
1476	Other financial assets - current (Note 6(18) and 8)	<u>1,589,810</u>	<u>14</u>	<u>310,140</u>	<u>3</u>			<u>7,416,157</u>	<u>63</u>	<u>5,576,580</u>	<u>60</u>
		<u>11,146,094</u>	<u>95</u>	<u>8,531,294</u>	<u>92</u>	<b>Non-current liabilities:</b>					
<b>Non-current assets:</b>						2552	Warranty long-term provisions (Note 6(9))	183,236	2	181,626	2
1550	Investments accounted for using equity method (Note 6(5))	14,392	-	15,120	-	2600	Other non-current liabilities (Note 6(18))	<u>12,868</u>	<u>-</u>	<u>8,398</u>	<u>-</u>
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(3) and (18))	349,275	3	449,201	5			<u>196,104</u>	<u>2</u>	<u>190,024</u>	<u>2</u>
1600	Property, plant and equipment (Note 6(6) and 8)	160,593	2	102,647	1	<b>Total liabilities</b>		<u>7,612,261</u>	<u>65</u>	<u>5,766,604</u>	<u>62</u>
1755	Right-of-use assets	16,611	-	6,849	-	<b>Equity attributable to owners of the parent company (Note 6(13)):</b>					
1760	Investment property, net (Note 6(7) and 8)	48,689	-	101,611	1	3110	Common stock	1,166,392	10	1,060,357	12
1840	Deferred tax assets(Note 6(12))	40,683	-	46,259	1	3200	Capital surplus	518,540	4	518,401	6
1975	Net defined benefit assets - non-current (Note 6 (11))	5,820	-	2,438	-	3300	Retained earnings	2,372,019	20	1,702,978	18
1980	Other non-current financial assets (Note 6(18))	<u>16,535</u>	<u>-</u>	<u>22,324</u>	<u>-</u>	3400	Other equity interest	<u>129,294</u>	<u>1</u>	<u>229,197</u>	<u>2</u>
		652,598	5	746,449	8		<b>Total equity attributable to owners of the parent company</b>	<u>4,186,245</u>	<u>35</u>	<u>3,510,933</u>	<u>38</u>
						36XX	<b>Non-controlling interests</b>	<u>186</u>	<u>-</u>	<u>206</u>	<u>-</u>
							<b>Total equity</b>	<u>4,186,431</u>	<u>35</u>	<u>3,511,139</u>	<u>38</u>
							<b>Total liabilities and equity</b>	<u>\$ 11,798,692</u>	<u>100</u>	<u>9,277,743</u>	<u>100</u>
<b>Total assets</b>		<u>\$ 11,798,692</u>	<u>100</u>	<u>9,277,743</u>	<u>100</u>						



**KEDGE CONSTRUCTION CO., LTD. and Subsidiaries**

**Consolidated 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(10), (15) and 7)</b>	\$ 14,204,563	100	10,772,322	100
5000	<b>Operating costs (Note 6(11) and 12)</b>	<u>12,604,056</u>	<u>89</u>	<u>9,580,969</u>	<u>89</u>
	<b>Gross profit from operations</b>	<u>1,600,507</u>	<u>11</u>	<u>1,191,353</u>	<u>11</u>
	<b>Operating expenses:</b>				
6200	Administrative expenses (Note 6(11), (16), 7 and 12)	318,435	2	308,137	3
6450	Expected credit loss (Note 6(4))	<u>-</u>	<u>-</u>	<u>7,551</u>	<u>-</u>
	<b>Net Operating Profit</b>	<u>1,282,072</u>	<u>9</u>	<u>875,665</u>	<u>8</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6(17))	22,872	-	10,035	-
7010	Other income (Note 6(17))	43,294	-	29,108	-
7020	Other gains and losses (Note 6(17))	(17,516)	-	15,083	-
7050	Financial costs (Note 6(17))	(4,223)	-	(1,457)	-
7060	Share of profit and loss associates and joint ventures accounted for using the equity method (Note 6(5))	<u>(728)</u>	<u>-</u>	<u>(5,387)</u>	<u>-</u>
		<u>43,699</u>	<u>-</u>	<u>47,382</u>	<u>-</u>
	<b>Net profit before tax from continuing operating department</b>	1,325,771	9	923,047	8
7950	<b>Less: Income tax expenses (Note 6(12))</b>	<u>277,835</u>	<u>2</u>	<u>182,555</u>	<u>1</u>
	<b>Profit</b>	<u>1,047,936</u>	<u>7</u>	<u>740,492</u>	<u>7</u>
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	(99,926)	-	84,565	1
8300	<b>Other comprehensive income, net</b>	<u>(97,090)</u>	<u>-</u>	<u>82,990</u>	<u>1</u>
	<b>Total Comprehensive Income for the Current Period</b>	<u><b>\$ 950,846</b></u>	<u><b>7</b></u>	<u><b>823,482</b></u>	<u><b>8</b></u>
	<b>Net profit attributable to:</b>				
	Owners of the parent company	\$ 1,047,933	7	740,476	7
8620	Non-controlling interests	<u>3</u>	<u>-</u>	<u>16</u>	<u>-</u>
		<u><b>\$ 1,047,936</b></u>	<u><b>7</b></u>	<u><b>740,492</b></u>	<u><b>7</b></u>
	<b>Total comprehensive income attributable to:</b>				
	Owners of the parent company	\$ 950,866	7	823,445	8
	Non-controlling interests	<u>(20)</u>	<u>-</u>	<u>37</u>	<u>-</u>
		<u><b>\$ 950,846</b></u>	<u><b>7</b></u>	<u><b>823,482</b></u>	<u><b>8</b></u>
	<b>Earnings per share (NT\$) (Note 6(14))</b>				
9750	<b>Basic earnings per share (NT\$)</b>	<u><b>\$ 8.98</b></u>		<u><b>6.35</b></u>	
9850	<b>Diluted earnings per share (NT\$)</b>	<u><b>\$ 8.85</b></u>		<u><b>6.30</b></u>	

**(Please see the Notes to the Consolidated Financial Statements)**

**KEDGE CONSTRUCTION CO., LTD. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**January 1 to December 31, 2022 and 2021**

Unit: NT\$ thousand

	Equity Attributable to the Owners of the Parent Company									
	Share Capital		Retained earnings			Other equity interest Unrealized gains (losses) from financial assets at fair value through other comprehensive income		Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total					
<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	169	3,069,278	
Profit	-	-	-	740,476	740,476	-	740,476	16	740,492	
Other Comprehensive Income in the Current Period	-	-	-	(1,575)	(1,575)	84,544	82,969	21	82,990	
Total Comprehensive Income for the Current Period	-	-	-	738,901	738,901	84,544	823,445	37	823,482	
Earnings appropriation and distribution:										
Legal reserve appropriated	-	-	62,771	(62,771)	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	(381,728)	(381,728)	-	(381,728)	-	(381,728)	
Unclaimed cash dividends after effective period	-	107	-	-	-	-	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	206	3,511,139	
Profit	-	-	-	1,047,933	1,047,933	-	1,047,933	3	1,047,936	
Other Comprehensive Income in the Current Period	-	-	-	2,836	2,836	(99,903)	(97,067)	(23)	(97,090)	
Total Comprehensive Income for the Current Period	-	-	-	1,050,769	1,050,769	(99,903)	950,866	(20)	950,846	
Earnings appropriation and distribution:										
Legal reserve appropriated	-	-	73,890	(73,890)	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	(275,693)	(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	-	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>	<b>186</b>	<b>4,186,431</b>	

(Please see the Notes to the Consolidated Financial Statements)

**KEDGE CONSTRUCTION CO., LTD. and Subsidiaries**

**Consolidated Statements of Cash Flows**

**January 1 to December 31, 2022 and 2021**

**Unit: NT\$ thousand**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
<b>Net profit before tax for the period</b>	\$ 1,325,771	923,047
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	17,435	19,694
Expected credit loss	-	7,551
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	17,251	(34,684)
Interest expense	4,223	1,457
Interest income	(22,872)	(10,035)
Dividend income	(33,312)	(28,584)
Share of loss of associates and joint ventures accounted for using the equity method	728	5,387
Gains on disposal 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)	(16,547)	(20,687)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial instruments mandatorily measured at fair value through profit or loss	-	(1,999)
Decrease (increase) in contract assets	277,870	(702,560)
Increase in notes and accounts receivable	(889,043)	(72,969)
Notes and accounts receivable - decrease in related parties	245,458	1,068,847
Decrease (increase) in prepayments	(58,428)	8,672
Increase in other financial instruments - current	(5,453)	(26,088)
Increase in other financial assets	(1,276,454)	(108,896)
Increase in non-current net defined benefit assets-	(3,382)	(613)
Total changes in operating assets	(1,709,432)	164,394
Total changes in operating liabilities:		
Increase (decrease) in contract liabilities	1,088,918	(1,080,684)
Increase (decrease) in notes payable	59,467	(51,356)
Increase in accounts payable	248,588	392,988
Increase (decrease) in other payables	86,031	(20,336)
Increase in liability reserve	1,610	31,263
(Decrease) increase in other current liabilities	(10,269)	9,800
Increases in net defined benefit liabilities	2,836	-
(Decrease) increase in other non-current liabilities	(501)	1,048
Total changes in operating liabilities	1,476,680	(717,277)
Total changes in operating assets and liabilities	(232,752)	(552,883)
Total adjustments	(249,299)	(573,570)
Cash inflow generated from operations	1,076,472	349,477
Interests received	18,584	10,387
Dividends received	33,312	28,584
Interest payment	(4,003)	(1,457)
Income taxes paid	(194,878)	(119,648)
<b>Net cash flows from operating activities</b>	929,487	267,343
<b>Cash flows from investing activities:</b>		
Purchase of financial assets measured at fair value through other comprehensive income	-	(1,266)
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>	(14,236)	(16,219)
<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	(1,773)	(2,676)
Cash dividend distribution	(275,693)	(381,728)
<b>Net cash outflows from (used in) financing activities</b>	7,534	(334,404)
Net increase (decrease) in cash and cash equivalents	922,785	(83,280)
Opening balance of cash and cash equivalents of the period	4,024,912	4,108,192
Ending balance of cash and cash equivalents of the period	\$ 4,947,697	4,024,912

**(Please see the Notes to the Consolidated Financial Statements)**

**KEDGE CONSTRUCTION CO., LTD. and Subsidiaries**  
**Notes to the Consolidated 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 and its subsidiaries (hereinafter referred to as "the Consolidated Company") are comprehensive construction and the development, lease, sale, etc. of housing and building.

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

The consolidated 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 group has adopted the newly recognized IFRSs specified above since January 1, 2022, and assessed that the application will not have a material impact on the consolidated financial statements.

- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 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 Group 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 consolidated 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"

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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- (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 Group are as follows:

<b>New or amended standards</b>	<b>Main amendments to the content</b>	<b>The effective date of issuance by IASB</b>
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 such liabilities may be repaid within twelve months of the reporting date.</p>	January 1, 2024

The Group is in the process of evaluating the impact on the consolidated financial position and performance of the adoption of the standards and interpretations mentioned above, and the Group will disclose relevant impacts when the evaluation is completed.

The Group expects that the following newly published and amended IFRS unendorsed will not result in a material impact on the consolidated 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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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- 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 consolidated financial statements is as follows. Other than the description of accounting variations, the following accounting policies have been consistently applied to all stated periods in the consolidated financial statements.

(1) Statement of compliance

The consolidated financial statements are prepared following the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the "Preparation Regulations") and the IFRS, IAS, Interpretation and Interpretation Announcements endorsed and released by the FSC (hereinafter referred to as the "IFRS endorsed by the FSC").

(2) Foundation of Preparation

1. Foundation of Measurement

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

- (1) Financial assets measured at fair value through profit or loss;
- (2) Financial assets measured at fair value through other comprehensive income; and
- (3) 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

Each entity of the Consolidated Company takes the currency of the main economic environment in which each business operates as its functional currency. The consolidated 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) Basis of consolidation

1. Preparation Principle of Consolidated Financial Statements

The preparation subjects of the consolidated financial statements include the Company and individuals controlled by the Company (i.e. subsidiaries). The Company controls an individual entity when it is exposed to, or has rights to, variable remuneration from its participation in that individual and can influence that remuneration through its power over that individual.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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From the date of attaining control over the subsidiary, its financial statements shall be included in the consolidated financial statements until the date of losing control. The transactions, balances and, any unrealized income and expenses between the consolidated companies have been eliminated in full at the time of preparing the consolidated financial statements. The total comprehensive income of subsidiaries is attributable to the owners and non-controlling interests of the Company, even if the non-controlling interests become the deficit balance.

The financial statements of the subsidiaries have been appropriately adjusted to facilitate their accounting policies are consistent with those used by the Consolidated Company.

Where the change of the ownership interest and interests of the Consolidated Company to a subsidiary does not result in the loss of control over the subsidiary, it shall be treated as an equity transaction with the owner. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received shall be directly recognized in equity attributable to the owners of the Company.

2. Subsidiaries Included in the Consolidated Financial Statements

Name of investment company	Subsidiaries	Nature of business	Percentage of ownership		Explanation
			2022.12.31	2021.12.31	
The Company	Guanqing Electromechanical Co., Ltd (Guanqing Electromechanical)	Electrical equipment installation and fire safety equipment installation, etc.	99.96%	99.96%	holds directly more than 50% of the issued voting share in the subsidiary.
The Company	Jiequn Investment Co., Ltd. (Jiequn Investment)	General Investment	99.98%	99.98%	holds directly more than 50% of the issued voting share in the subsidiary.
Jointly held by Guanqing Electromechanical and Jiequn Investment	Dingtian Construction Co., Ltd. (Dingtian Construction)	The comprehensive construction industry, etc.	100.00%	100.00%	holds indirectly more than 50% of the issued voting share in the subsidiary.

3. Subsidiaries not Included in the Consolidated Financial Statements: None.

(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 Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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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 Consolidated 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 Consolidated 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, equity instrument investment measured at fair value through other comprehensive profit and loss, or financial assets measured at fair value through profit and loss. The Consolidated Company shall reclassify all the affected financial assets from



**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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the first 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 Consolidated 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 Consolidated 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 Consolidated 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.

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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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(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, and other financial assets, etc.) and contract assets, the Consolidated 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 (for example, 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 Consolidated 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 consolidated 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 Consolidate Company can collect according to the contract and the expected cash flow that the Consolidate Company will receive. Expected credit loss is discounted at the effective interest rate of financial assets.

On each reporting date, the Consolidated 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 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;

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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- 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 Consolidated 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 Consolidated 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 Consolidated Company analyzes the time and amount of write off individually based on whether it reasonably expects to be recoverable. The Consolidated 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 Consolidated Company to recover the overdue amount.

(5) Derecognition of Financial Assets

The Consolidated 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 Consolidated 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.

2. Financial Liabilities and Equity Instruments

(1) Classification of Liabilities or Equities

The debt and equity instruments issued by the Consolidated 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

(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 Consolidated 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 Consolidated 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 Consolidated 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.

(7) Investments in Associates

Associates refer to those for which the Consolidated Company has a material influence upon their financial and operating policies but without controlling or joint controlling.

The Consolidated Company adopts the equity method for handling the equity of associates. Under the equity method, the initial acquisition is recognized according to the cost, and the investment cost includes the transaction cost. The carrying amount of invested associates

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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includes the goodwill recognized at the time of initial investment less any accumulative impairment loss.

The consolidated financial statements include the amount of profit and loss and other comprehensive profit and loss of each invested associate recognized by the Consolidated Company according to the proportionate interest after the adjustment of the consistency with the accounting policies of the Consolidated Company from the date of attaining a material influence to the date of losing such influence. When the equity of associates change, not including profit and loss and other comprehensive profit and loss, and do not affect the shareholding ratio of the Consolidated Company, the Consolidated Company shall recognize all the equity changes as capital surplus according to the shareholding ratio.

The unrealized profits and losses arising from the transaction between the Consolidated Company and the associates shall be recognized in the financial statements of the associates only within the scope of the interest of the non-affiliated investor to the associate.

When the Consolidated Company recognizes the loss of associates in proportion and its share is equal to or more than its equity in associates, it shall stop recognize the loss. The Consolidated Company shall recognize additional losses and related liabilities only to the extent of legal obligations, constructive obligations or payments made on behalf of the investee.

**(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 other income 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**

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Consolidated Company.

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     | 5 to 53 years |
| (2) Transportation equipment | 5 years       |
| (3) Others equipment         | 3 to 5 years  |

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

(10) Leases

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company shall be used. Generally speaking, the Consolidated Company uses its incremental borrowing rate of interest as the discount rate.

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

2. Lessor

For transactions in which the Consolidated 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 Consolidated Company's considerations include relevant specific indicators, such as whether it covers the main component of the economic life of the underlying asset during the lease term.

If the Consolidated 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 Consolidated Company shall employ the provisions of IFRS 15 to share the consideration in the contract.

(11) Impairments of Non-financial Assets

The Consolidated 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. Goodwill is regularly tested for impairment every year.

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. Goodwill acquired from a business combination is allocated to each cash-generating unit or group of cash-generating units that are expected to benefit from the synergy combination.

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 Consolidated 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.



## Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

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

##### (1) Labor Services

The Consolidated Company provides business management services and recognizes the relevant revenue during the financial reporting period of providing labor services. Under a fixed-price contract, the client pays a fixed amount of money according to the agreed schedule.

##### (2) Construction Contracts

The Consolidated 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 Consolidated 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 Consolidated 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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The Consolidated 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 (9) for details.

2. Cost of Client Contracts

(1) 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 Consolidated 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.

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 Consolidated 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 Consolidated 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 Consolidated Company is the net defined

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

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 Consolidated 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 Consolidated Company has current legal or constructive payment obligations due to 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 Consolidated 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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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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 Consolidated 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
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 Consolidated Company presents the basic and diluted earnings per share attributable to the Company's common equity holders. The basic earnings per share of the Consolidated 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 operating segment is an integral part of the Consolidated Company, which is engaged in business activities that may generate revenue and incur expenses (including revenue and expense related to the transactions among other components in the Consolidated Company). The operating results of all operating segments are periodically reviewed by the major operating decision-makers of the Consolidated Company to make decisions on the allocation of resources to the segments and to evaluate their performance. Every operation segment has its independent financial information.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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**5. Significant Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty**

When the Group 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 Group 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.

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>
Cash and petty cash	\$ 320	510
Demand deposits	323,157	2,210,307
Check deposits	1,774,896	1,078,350
Time deposits	2,668,508	-
Cash equivalents	180,816	735,745
Cash and cash equivalents	<b>\$ 4,947,697</b>	<b>4,024,912</b>

The aforementioned cash equivalents are short-term bills, whose maturity ranges are between January and February in 2023 and January and February in 2022, and the interest rate ranges are 0.99% to 1.00% and 0.25% to 0.26%, respectively.

For the disclosed information on the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Consolidated Company, please refer to Note 6(18).

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

(2) Financial Assets at Fair Value through Profit or Loss		<u>2022.12.31</u>	<u>2021.12.31</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
TWSE (or TPEX) listed company stocks	\$	<u>63,471</u>	<u>80,722</u>
1. The Consolidated Company has mandatorily designated the aforementioned items as non-derivative financial assets measured at fair value through profit or loss. The dividend income recognized in 2022 and 2021 was NT\$3,715,000 and NT\$2,819,000 respectively.			
2. As of December 31, 2022 and 2021, none of the financial assets of the Consolidated Company has been pledged as collateral.			
(3) Financial Assets at Fair Value through Other Comprehensive Income		<u>2022.12.31</u>	<u>2021.12.31</u>
Equity instruments measured at fair value through other comprehensive income			
Domestic TWSE (or TPEX) listed stocks - Kindom Development Co., Ltd.	\$	341,371	441,328
Domestic TWSE (or TPEX) listed stocks - Fubon Financial C Special		1,138	1,240
Domestic non-TWSE (nor TPEX) listed stocks - Commonwealth Publishing Company		6,766	6,633
Domestic unlisted stocks - Taiwan Calcom International Computer Graphic Co., Ltd.		<u>-</u>	<u>-</u>
Total	\$	<u>349,275</u>	<u>449,201</u>
1. Equity instrument investments measured at fair value through other comprehensive income			
The equity instrument investment held by the Group 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 Consolidated Company in 2022 and 2021 were NT\$29,597,000 and NT\$25,765,000.			
3. The group did not dispose of strategic investment in 2022 and 2021. The accumulated gains and losses in that period have not been transferred within the equity.			
4. None of the financial assets of the Group has been pledged as collateral.			
5. Please refer to Note 6(18) for credit risk (including impairment of debt instrument investment) and market risk information.			

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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(4) Notes and accounts receivable

	<b>2022.12.31</b>	<b>2021.12.31</b>
Accounts Receivable	\$ 1,901,456	1,012,413
Less: Loss allowance	(7,551)	(7,551)
	<b>\$ 1,893,905</b>	<b>1,004,862</b>

The Group adopts the simplified method to estimate the expected credit loss for all notes receivable and accounts receivable, that is, to measure lifetime expected credit losses. For this measuring purpose, the Group considers the past default records of clients, the current financial circumstances, the industrial economic situation, and the industrial outlook at the same time. The expected credit loss of notes receivable and accounts receivable of the Group 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	\$ 1,004,862	-	-
Past due 90 days and above	7,551	100%	7,551
	<b>\$ 1,012,413</b>		<b>7,551</b>

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

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

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

(5) Investments accounted for using equity method

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

	<b>2022.12.31</b>	<b>2021.12.31</b>
ReadyCom eServices Corp.	<b>\$ 14,392</b>	<b>15,120</b>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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1. Associates

The share of associates' profit and loss enjoyed by the Consolidated Company is as follows:

	<b>2022</b>	<b>2021</b>
Share attributable to the Consolidated Company:		
Net loss of continuing operations	<b>\$ (728)</b>	<b>(5,387)</b>

The Consolidated Company does not have any contingent liabilities arising from the joint undertaking of the contingent liabilities of the associates with other investors or the individual accountability for the liabilities of the associates.

2. Collateral

As of December 31, 2022 and 2021, none of the investments accounted for using equity method of the group has been pledged as collateral.

(6) Property, Plant and Equipment

Details of changes in cost, depreciation, and impairment loss of property, plant, and equipment of the Group are as follows:

	<b>Land</b>	<b>Houses and buildings</b>	<b>Transportation equipment</b>	<b>Others equipment</b>	<b>Total</b>
Cost or deemed cost:					
Balance as of January 1, 2022	\$ 62,430	36,313	-	63,033	161,776
Addition	-	-	-	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>\$ 115,630</b>	<b>27,635</b>	<b>-</b>	<b>79,287</b>	<b>222,552</b>
Balance as of January 1, 2021	\$ 62,430	36,313	1,930	58,969	159,642
Additions	-	-	-	3,875	3,875
Disposal	-	-	(1,930)	-	(1,930)
Reclassification	-	-	-	189	189
Balance on December 31, 2021	<b>\$ 62,430</b>	<b>36,313</b>	<b>-</b>	<b>63,033</b>	<b>161,776</b>
Depreciation and impairment losses:					
Balance as of January 1, 2022	\$ -	35,830	-	23,299	59,129
Depreciation for the year	-	310	-	15,097	15,407
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>20,972</b>	<b>-</b>	<b>33,987</b>	<b>61,959</b>
Balance as of January 1, 2021	\$ -	16,190	1,887	7,826	25,903
Depreciation for the year	-	3,987	-	12,508	16,495
Impairment loss	-	15,653	-	2,965	18,618
Disposal	-	-	(1,887)	-	(1,887)
Balance on December 31, 2021	<b>\$ -</b>	<b>35,830</b>	<b>-</b>	<b>23,299</b>	<b>59,129</b>
Carrying amount:					
January 1, 2022	<b>\$ 62,430</b>	<b>483</b>	<b>-</b>	<b>39,734</b>	<b>102,647</b>
December 31, 2022	<b>\$ 108,630</b>	<b>6,663</b>	<b>-</b>	<b>45,300</b>	<b>160,593</b>
January 1, 2021	<b>\$ 62,430</b>	<b>20,123</b>	<b>43</b>	<b>51,143</b>	<b>133,739</b>
December 31, 2021	<b>\$ 62,430</b>	<b>483</b>	<b>-</b>	<b>39,734</b>	<b>102,647</b>



**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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1. Impairment loss

In 2021, the Consolidated 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

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

(7) Investment Property

	<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>

The fair value of investment property is based on the evaluation of the independent appraisers (with a relevant professional qualification accredited) or of the Consolidated 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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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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 group's investment property pledged as collateral, please refer to Note 8.

(8) Short-term loans

Details on short-term loans of the Group were as follows:

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

For details of the Group's interest rate risk and liquidity risk, please refer to Note 6(18).

Please refer to Note 8 for details of the collateral of the Group's asset pledged for bank loans.

(9) Provisions

	<u>Warranty</u>
Balance as of January 1, 2022	\$ 181,626
Additional provisions for the current period	19,636
Provisions reclassified for the current period	3,907
Provisions used in the current period	(20,933)
Reversal of provisions for the current period	<u>(1,000)</u>
Balance as of December 31, 2022	\$ <u>183,236</u>
Balance as of January 1, 2021	\$ 150,363
Additional provisions for the current period	37,076
Provisions used in the current period	<u>(5,813)</u>
Balance on December 31, 2021	\$ <u>181,626</u>

For the periods from January 1 to December 31, 2022 and 2021, the warranty provisions of the group are mainly related to construction contracting. The warranty provisions are estimated based on the historical warranty data of various constructions. The group expects that the liability will occur mostly one year after the construction acceptance.

(10) Operating lease

The investment property leased by the Consolidated 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 (7) 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:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Less than 1 year	\$ <u>3,360</u>	<u>3,360</u>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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Non-discounted future cash flows of lease \$ 3,360 3,360

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.

(11) 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 Consolidated 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) liabilities	<b>\$ (5,820)</b>	<b>(2,438)</b>

The defined benefit plan of the Consolidated 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 Consolidated 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.

The Consolidated 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 Consolidated Company in 2022 and 2021 are as follows:

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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	<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><u>\$ 16,887</u></u>	<u><u>21,585</u></u>

(3) Changes in fair value of plan assets

Changes in fair value of defined benefit plan assets of the Consolidated 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><u>\$ 22,707</u></u>	<u><u>24,023</u></u>

(4) The Consolidated 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 Consolidated Company in 2022 and 2021 are as follows:

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

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

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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- (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 Consolidated Company as of December 31, 2022 and 2021 is as follows:

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

- (7) Actuarial assumption

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

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

Based on the actuarial report, the Consolidated 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 the reporting date of December 31, 2022 and 2021 on the present value of defined benefit obligations is as follows:

	<u>Impact on defined benefit obligations</u>	
	<u>Increase</u>	<u>Decrease</u>
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)

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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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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 Consolidated 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 Consolidated 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\$25,725,000 and NT\$22,558,000, respectively.

3. Short-term compensated absences

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

	<b>2022.12.31</b>	<b>2021.12.31</b>
Short-term compensated absences	<b>\$ 11,673</b>	<b>13,842</b>

(12) Income Tax

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

	<b>2022</b>	<b>2021</b>
Current income tax expenses		
Accrued in current year	\$ 257,073	184,462
Adjustments to income tax expenses of previous period	(275)	58
Surtax on unappropriated earnings	15,461	9,659
	272,259	194,179
Deferred tax expense		
Occurrence and reversal of temporary differences	5,576	(11,624)
Income tax expenses	<b>\$ 277,835</b>	<b>182,555</b>

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

	<b>2022</b>	<b>2021</b>
Net profit before tax	\$ 1,325,771	923,047
Income tax calculated according to the domestic tax rate of the location of the Company	265,154	184,609
Adjustments to income tax expenses of previous period	(275)	58
Surtax on unappropriated earnings	15,461	9,659
Tax exemption profit	(6,561)	(7,394)
Others	4,056	(4,377)
Total	<b>\$ 277,835</b>	<b>182,555</b>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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3. Deferred tax assets

(1) Unrecognized deferred tax assets

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

	<b>2022.12.31</b>	<b>2021.12.31</b>
Deductible temporary difference	<b><u>\$ 803</u></b>	<b><u>803</u></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	\$ 36,321	2,764	3,639	3,535	46,259
Recognized in the income statements	<u>321</u>	<u>(433)</u>	<u>(3,639)</u>	<u>(1,825)</u>	<u>(5,576)</u>
December 31, 2022	<b><u>\$ 36,642</u></b>	<b><u>2,331</u></b>	<b><u>-</u></b>	<b><u>1,710</u></b>	<b><u>40,683</u></b>
January 1, 2021	\$ 30,068	3,007	-	1,560	34,635
Recognized in the income statements	<u>6,253</u>	<u>(243)</u>	<u>3,639</u>	<u>1,975</u>	<u>11,624</u>
December 31, 2021	<b><u>\$ 36,321</u></b>	<b><u>2,764</u></b>	<b><u>3,639</u></b>	<b><u>3,535</u></b>	<b><u>46,259</u></b>

4. The profit-seeking enterprise annual income tax return of the group were assessed for 2020.

(13) 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.

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 associates and joint ventures recognized by the equity method	2,568	2,568
Unclaimed dividends after effective period	660	521
Others	<u>1,437</u>	<u>1,437</u>
	<b><u>\$ 518,540</u></b>	<b><u>518,401</u></b>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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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.

(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	106,035	-	-
Total		<b>\$ 381,728</b>		<b>381,728</b>



**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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The 2022 distributions of earnings were resolved at the shareholders' meetings on March 14, 2023. The dividends distributed to owners are as follows:

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

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

(14) Earnings per Share

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

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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(15) Revenue from Contracts with Clients

1. Disaggregation of revenue

	<b>2022</b>	<b>2021</b>
Timing of revenue recognition:		
Gradually transferred constructions over time	\$ 14,200,284	10,765,320
Gradually transferred services over time	4,279	7,002
	<b>\$ 14,204,563</b>	<b>10,772,322</b>

2. Contract balances

	<b>2022.12.31</b>	<b>2021.12.31</b>	<b>2021.1.1</b>
Notes and accounts receivable			
(including related parties)	\$ 2,476,007	1,832,422	2,828,300
Less: Loss allowance	(7,551)	(7,551)	-
Total	<b>\$ 2,468,456</b>	<b>1,824,871</b>	<b>2,828,300</b>
Contract asset-construction	\$ 1,881,176	2,159,046	1,441,162
Less: Loss allowance	-	-	-
Total	<b>\$ 1,881,176</b>	<b>2,159,046</b>	<b>1,441,162</b>
Contract liability-construction	<b>\$ 1,533,575</b>	<b>444,657</b>	<b>1,525,341</b>

Please refer to Note 6 (4) 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 group transfers commodities or services to clients to meet the performance obligations and the time when clients pay. There were no other material changes during the periods from January 1 to December 31, 2022 and 2021.

(16) 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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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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.

(17) Non-operating income and expenses

1. Interest income

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

	<b>2022</b>	<b>2021</b>
Bank deposits	\$ 18,679	2,596
Interest income from short bills	4,151	5,352
Other interest income	42	2,087
	<b>\$ 22,872</b>	<b>10,035</b>

2. Other income

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

	<b>2022</b>	<b>2021</b>
Dividend income	\$ 33,312	28,584
Rental income	12	11
Other income	9,970	513
	<b>\$ 43,294</b>	<b>29,108</b>

3. Other gains or losses

The details of other gains and losses of the Consolidated Company in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Exchange loss	\$ (265)	-
Profit (loss) of financial assets at fair value through profit or loss	(17,251)	34,684
Gains on disposal of property, plant and equipment	-	33
Gain on lease modification	-	58
Impairment loss	-	(18,618)
Other expenses	-	(1,074)
	<b>\$ (17,516)</b>	<b>15,083</b>

4. Financial costs

The details of the financial cost of the Consolidated Company in 2022 and 2021 are as follows:

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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	2022	2021
Interest expense		
Bank loans	\$ 4,106	1,172
Others	117	285
	<b>\$ 4,223</b>	<b>1,457</b>

(18) Financial Instruments

1. Credit risk

(1) Credit risk exposure

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

(2) The concentration of credit risk

The revenues of the Consolidated Company in 2022 and 2021 are derived from the sales to domestic clients; the clients of the Consolidated Company are concentrated in the construction industry and public works, 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 Consolidated Company. The Consolidated 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.

2. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-3 years	3-5 years	Over 5 years
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 485,000	490,935	490,935	-	-	-
Notes payable	343,358	343,358	343,358	-	-	-
Accounts payable	4,391,029	4,391,029	2,507,779	1,883,250	-	-
Other payables	381,350	381,350	381,350	-	-	-
Other current liabilities (leases liabilities)	6,668	6,795	6,795	-	-	-
Other non-current liabilities (leases liabilities)	10,077	11,274	-	6,534	688	4,052
	<b>\$ 5,617,482</b>	<b>5,624,741</b>	<b>3,730,217</b>	<b>1,889,784</b>	<b>688</b>	<b>4,052</b>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 200,000	201,400	201,400	-	-	-
Notes payable	283,891	283,891	283,891	-	-	-
Accounts payable	4,142,887	4,142,887	2,176,173	1,966,714	-	-
Other payables	295,238	295,238	295,238	-	-	-
Other current liabilities (leases liabilities)	1,854	1,877	1,877	-	-	-
Other non-current liabilities (leases liabilities)	5,106	6,184	-	1,543	393	4,248
	<b>\$ 4,928,976</b>	<b>4,931,477</b>	<b>2,958,579</b>	<b>1,968,257</b>	<b>393</b>	<b>4,248</b>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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The Group 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 Consolidated 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 Consolidated 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:

<u>Securities price on the reporting date</u>	<u>2022</u>		<u>2021</u>	
	<u>After-tax other comprehensive income</u>	<u>After-tax profit or loss</u>	<u>After-tax other comprehensive income</u>	<u>After-tax profit or loss</u>
Up by 10%	\$ <u>34,251</u>	<u>6,347</u>	<u>44,257</u>	<u>8,072</u>
Down by 10%	\$ <u>(34,251)</u>	<u>(6,347)</u>	<u>(44,257)</u>	<u>(8,072)</u>

5. Fair Value Information

(1) Type and fair value of financial instruments

Financial assets measured at fair value through profit or loss and 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:



**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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	2021.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term loans	\$ 200,000	-	-	-	-
Notes payable and accounts payable	4,426,778	-	-	-	-
Other current liabilities (leases liabilities)	1,854	-	-	-	-
Other non-current liabilities (leases liabilities)	5,106	-	-	-	-
Other payables	<u>295,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><b>\$ 4,928,976</b></u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(2) Quantitative information of fair value measurement of material unobservable inputs (Level 3)

The fair value measurement of the Consolidated Company is classified as Level 3, mainly including financial assets measured at fair value through other comprehensive income and is conducted through the income approach.

(3) 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 Consolidated Company fit into an active market, their fair values are listed according to the categories and attributes as follows:

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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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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 combined 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).

If the financial instruments held by the Consolidated Company do not fit into the active market, their fair values are listed according to the categories and attributes as follows:

The equity instrument without public quotation: The market comparable company approach is used to estimate the fair value. Its main assumption is based on the estimated earnings before tax, interest, depreciation, and amortization of the investee and the earnings multiplier derived from the market quotation of comparable TWSE/TPEX listed companies. This estimate has adjusted the discount effect of the lack of market liquidity of the equity securities.

(4) Details of changes in Level 3

	<b>Measured at fair value through other comprehensive income Equity instruments without public quotes</b>
January 1, 2022	\$ <u><u>6,633</u></u>
December 31, 2022	\$ <u><u>6,766</u></u>
January 1, 2021	\$ <u><u>5,825</u></u>
December 31, 2021	\$ <u><u>6,633</u></u>

The above total profit or loss is reported in "unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive income."

Among them, the assets still held on December 31, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Total profit or loss		
Recognized in other comprehensive income (under unrealized valuation gains and losses from "financial assets at fair value through other comprehensive income")	\$ <u><u>133</u></u>	\$ <u><u>808</u></u>



**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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(19) Financial Risk Management

1. Outline

The Consolidated 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 Consolidated Company and the objectives, policies, and procedures for the measurement and risk management of the Consolidated Company. For further quantitative disclosure, please refer to the notes in the consolidated 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 Consolidated 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 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 Consolidated 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 merged company is as follows:

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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Name of Organization	Scope of Responsibilities
The Board of Directors	Establish risk management policies 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 Consolidated 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 Consolidated Company.

(1) Accounts receivable and other receivables

The credit risk exposure of the Consolidated Company is primarily affected by the individual circumstances of each client. The management also considers the statistical data of the Consolidated 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 Consolidated 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 Consolidated Company. Given that the trading counterpart and the contract performing party of the Consolidated Company are financial institutions, corporate organizations, and government agencies with good credit, there is no material credit risk because there is no significant doubt about the contract performance.

(3) Guarantee

The Consolidated Company's policy stipulates that financial guarantee can only be provided to fully-owned affiliated companies and companies with business interaction. The amount of endorsements/guarantees provided by the Consolidated Company was NT\$28,384,000 as of December 31, 2022 and 2021.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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4. Liquidity risk

Liquidity risk refers to the risk that the Consolidated 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 Consolidated Company is to ensure that the Consolidated 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 Consolidated Company.

Generally speaking, the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company has not actively traded such investments, and the managing personnel of the Consolidated Company manage the risks by holding different risk investment portfolios.

(20) Capital management

The goal of the capital management of the Consolidated 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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In order to maintain or recapitalize structure, the Consolidated 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 Consolidated 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, other equity, and non-controlling equity) plus net indebtedness.

The capital management strategy of the Consolidated 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:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Total Liabilities	\$ 7,612,261	5,766,604
Less: Cash and cash equivalents	(4,947,697)	(4,024,912)
Net liabilities	2,664,564	1,741,692
Total Equity	4,186,431	3,511,139
Adjusted capital	<b>\$ 6,850,995</b>	<b>5,252,831</b>
Debt-to-capital ratio	<b>39%</b>	<b>33%</b>

**7. Related-Party Transactions**

- (1) The parent company and the ultimate controlling party

Kindom Development Co., Ltd. is the parent company of the Consolidated Company and the ultimate controller of the Group to which it belongs and holds 34.18% of the outstanding ordinary shares of the Consolidated Company. 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 Group within the period of the financial report are as follows:

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

- (3) Significant transactions with related parties

1. Sales of services to related parties

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

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		2022			
	Nature	Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.	Engineering construction	<u>\$ 13,679,390</u>	<u>4,303,021</u>	<u>1,903,568</u>	<u>1,844,673</u>
		2021			
	Nature	Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
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 construction projects contracted by the Group from the related parties are compliant with the outsourcing regulations of the related parties, plus a reasonable management fee and profit in accordance with the project budget. 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 group 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. Status of claims and debts, contract assets, contract liabilities

The group's claims and debts and contract assets from related parties are as follows:

Accounting items	Type of related parties	2022.12.31	2021.12.31
Notes and accounts receivable	Parent company - Kindom Development Co., Ltd.	\$ 574,551	820,009
Other payables	Parent company - Kindom Development Co., Ltd.	111	-
Other payables	Associates— ReadyCom eServices Corp.	150	-
Contract assets	Parent company - Kindom Development Co., Ltd.	210,531	205,758
Contract assets (retention receivables)	Parent company - Kindom Development Co., Ltd.	45,572	16,746
		<u>\$ 830,915</u>	<u>1,042,513</u>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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For 2022 and 2021, the collection period of the group 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.

3. Endorsements/guarantees

On December 31, 2022 and 2021, the Consolidated Company is the joint partner and joint debtor of parent company Kindom Development Co., Ltd. for cooperative development and construction, with the amount of NT\$28,384,000.

4. Leases

In 2022 and 2021, the Consolidated 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 Consolidated 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.

5. Others

(1) In 2022 and 2021, the Consolidated Company donated NT\$9,000,000 and NT\$6,000,000 to Kindom Yu San Education Foundation, a syndicate legal entity, for the promotion of the foundation's business.

(2) In 2022 and 2021, the group entered into a professional service contract with Kindom Development Co., Ltd., the parent company, for the provision of engineering research, recommendation, and education by the group at a total contract price of NT\$977 thousand and NT\$1,060 thousand, which was fully settled as of December 31, 2022.

(3) The group signed the information project consultancy 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:

	<b>2022</b>	<b>2021</b>
Short-term Employee Benefits	\$ 160,954	111,765
Benefits after retirement	241	246
	<b>\$ 161,195</b>	<b>112,011</b>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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**8. Pledged Assets**

Details of the carrying value of pledged assets and restricted assets by the Group 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	<u>48,689</u>	<u>95,121</u>
		<u><b>\$ 1,691,151</b></u>	<u><b>327,597</b></u>

**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 Consolidated Company were NT\$54,327,480,000 and NT\$46,613,096,000 respectively, and the payments received according to the contract were NT\$17,374,625,000 and NT\$7,741,953,000, respectively.
2. As of December 31, 2022 and 2021, the guaranteed note issued by the consolidated company for construction were NT\$57,992,000 and NT\$401,342,000, respectively.
3. As of December 31, 2022 and 2021, the bank's guarantee issued by the consolidated 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 Consolidated 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.**

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

**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	\$ 582,547	196,900	779,447	459,506	189,730	649,236
Labor insurance and national health insurance	43,153	10,776	53,929	36,251	9,871	46,122
Pension expenses	18,532	7,178	25,710	16,388	6,140	22,528
Other employee benefits expenses	14,765	15,569	30,334	11,023	11,015	22,038
Depreciation expense	4,775	12,660	17,435	5,189	14,505	19,694
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	-	-	-	-	-

**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 Consolidated Company is as the following:

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

Unit: NT\$ thousand

No.	Name of endorsement/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.



**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

- (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.

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				Maximum shareholding or contribution during the 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	0.10%	
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	1.69%	
"	Shares - Fubon Financial C Special	-	"	11	603	- %	603	- %	
"	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	"	405	-	0.78 %	-	0.78%	

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

Holding company	Types and names of securities	Relationship with the securities issuer	Accounting item	End of period				Maximum shareholding or contribution during the period	Remarks
				Number of shares (thousand shares)	Carrying amount	Shareholding Ratio	Fair value		
Guanqing Electromechanical Co., Ltd.	Shares - Kindom Development Co., Ltd.	Guanqing Electromechanical is the second-tier subsidiary of that company.	Financial assets measured at fair value through other comprehensive income - non-current	1,768	51,617	0.32 %	51,617	0.32%	
"	Shares - Fubon Financial C Special	-	"	10	535	-	535	-	%
"	Shares - Global Views-Commonwealth Publishing Co.	-	"	160	6,766	0.59 %	6,766	0.59%	
"	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.

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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

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.
10. Business relationship and significant transactions between parent company and subsidiaries:

No.	Trader's name	Name of the transaction counterpart	Nature of Relationship	Transactions			Ratio to consolidated total operating revenue or total assets
				Account	Amount	Terms of transaction	
0	Kedge Construction Co., Ltd.	Guanqing Electromechanical Co., Ltd.	1	Contract liabilities	\$ 15,944	Equivalent to general transactions	0.14%
0	"	"	1	Accounts payable	41,676	"	0.35%
0	"	"	1	Operating costs	62,551	"	0.44%
0	"	Dingtian Construction Co., Ltd.	1	Contract liabilities	26,298	"	0.22%
0	"	"	1	Accounts payable	19,003	"	0.16%
0	"	"	1	Operating costs	100,982	"	0.71%
0	"	"	1	Operating expenses	930	"	0.01%
1	Guanqing Electromechanical Co., Ltd.	Kedge Construction Co., Ltd.	2	Contract assets	15,944	"	0.14%
1	"	"	2	Accounts Receivable	41,676	"	0.35%
1	"	"	2	Operating revenue	62,551	"	0.44%
2	Dingtian Construction Co., Ltd.	"	2	Contract assets	26,298	"	0.22%
2	"	"	2	Accounts Receivable	19,003	"	0.16%
2	"	"	2	Operating revenue	101,912	"	0.71%

Note 1: Instruction for numbering.

1. The parent company is numbered 0.
2. Subsidiaries are numbered in sequence, starting with Arabic numeral 1

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

according to company type.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

Note 2: The type of relations with transaction party is marked as follows:

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

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

(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			Maximum shareholding or contribution during 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	99.98%	14,466	14,463	Subsidiary
Kedge Construction Co., Ltd.	Guanqing Electromechanical Co., Ltd.	Taiwan	Electrical equipment installation and fire safety equipment installation, etc.	81,326	81,326	7,747	99.96%	228,533	99.96%	(759)	(759)	"
Jiequn Investment Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	14,334	30.00%	(293)	(88)	Second-tier subsidiary
Guanqing Electromechanical Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	33,446	70.00%	(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	46.67%	(1,560)	(728)	Investments accounted for using equity method

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:

Expressed in shares

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

**14. Segment Information**

The operation department of the Group which should be reported is only the construction segment. The construction segment is mainly responsible for the integrated operation and maintenance of construction, management, and other overall works. The information on segment profit and loss, segment assets, and segment liabilities are consistent with the financial statements. Please refer to the consolidated balance sheets and consolidated statements of comprehensive income for details.