

Stock Code: 2546

# Annual Report 2022



**Kedge Construction Co., Ltd.**

**Published date: May 8, 2023**

**This Annual Report can be accessed from: Market Observation Post System:**

**<https://mops.twse.com.tw>**

I. Spokesperson or Acting Spokesperson of the Company:

Spokesperson: Chin-Hua Fan

Title: Assistant General Manager

E-mail: gfan@kindom.com.tw

Acting Spokesperson: Chun-Ming Chen

Title: General Manager

E-mail: adchen@kindom.com.tw

Tel: (02) 2378-6789

Fax: (02) 2739-6710

II. Head Office, Branch Offices and Factories: No branch or factory

Address: 6F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City  
106, Taiwan (R.O.C.)

Tel: (02) 2378-6789

Fax: (02) 2739-6710

III. Share Transfer Agency

Name: CTBC Bank Transfer Agency

Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist.,  
Taipei City 100, Taiwan (R.O.C.)

Tel.: (02) 6636-5566

Website: <https://ecorp.ctbcbank.com/cts/index.jsp>

IV. Certified Public Accountants for the Most Recent Fiscal Year:

Name of Accounting Firm: KPMG Taiwan

Name of CPAs: Hsin-Lien, Han, Ti-Nuan, Chien

Address: 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110,  
Taiwan (R.O.C.)

Tel: (02) 8101-6666

Website: <http://www.kpmg.com.tw>

V. Information on Overseas Securities: None

VI. Company Website: <https://www.kedge.com.tw>

## Contents

Chapter 1.	Letter to Shareholders .....	1
Chapter 2.	Company Profile .....	5
Chapter 3.	Corporate Governance Report .....	10
Chapter 4.	Capital overview .....	92
Chapter 5.	Operational Highlights .....	98
Chapter 6.	Financial Information.....	130
Chapter 7.	Review and Analysis on the Company’s Financial Position and Financial Performance, and Risks.....	260
Chapter 8.	Special Disclosure.....	269
Chapter 9.	Situations That Might Materially Affect Shareholders' Equity or The Price of The Company's Securities, as Specified in Subparagraph 2, Paragraph 2, Article 36 of The Securities and Exchange Act, Occurred in The Most Recent Year and in The Current Year as of The Publication Date of The Annual Report .....	280

## Chapter 1. Letter to Shareholders

Dear Shareholders:

Welcome to the 2023 Annual Shareholders' Meeting of the Company. We thank all shareholders for your support and care. Due to the gradual easing of COVID-19 epidemic control measures in 2022, the shipping congestion problem has been alleviated, but the issues of inflation and interest rate hikes in the United States have led to a weakening of end consumer demand, and the construction industry's price index has still increased by 7.36% annually. Facing the impact of the pandemic, on-site labor shortage, supply chain costs, and unstable delivery schedules, Kedge has newly undertaken NT\$11.4 billion in contracts which facilitates the balance of existing projects and contribution to future performance, in addition to completing 6 projects based on original milestones, including residential, civil engineering, turnkey, hospital and factory projects, etc.

### **(I) Operating Results of 2022**

The items included in the consolidated operating revenue in 2022 include construction revenues and non-operating income, totaling NT\$14.271 billion, with an increase of NT\$3.424 billion and a growth of 31.6% as compared with that of 2021. Among them, the construction revenue is calculated based on the schedule of various projects and proportion of the investment in projects. The projects newly contracted in 2022 contributed to 7.1% of the total project price.

The total consolidated operating expenses for 2022 was NT\$13.909 billion, including construction costs, operating expenses, and non-operating expenses, which increased by NT\$3.948 billion or 39.6% compared to 2021. The increase in construction costs was mainly due to the progress of civil engineering and factory and office projects, which required investment according to the schedule.

The Company adopted a stable growth policy for contracting cases based on scale and total contract price. The scale and performance of the company's contracted cases have grown steadily. In the 2022, the public construction project budget has reflected the actual price level and is executed according to the planned schedule. Coupled with the unique characteristics of the difference in revenue and expenditure timing for construction projects, the net cash inflow from consolidated operating activities in 2022 was NT\$929 million, an increase of NT\$1.719 billion, or 86.6%, compared to 2021. The net cash outflow from consolidated investing and financing activities was NT\$6.79 million, an increase of NT\$662 million, or 247.7%, compared to 2021. The consolidated cash flow was a net inflow of NT\$1.006 billion compared to 2021.

In 2022, the return on assets (ROA) was 9.97%, with an increase of 2.04% and a growth rate of 25.7% as compared with 2021. Return on equity (ROE) was 27.23%, with an increase of 4.72% and a growth rate of 21.0%. Consolidated earnings per share (EPS) was NT\$8.98, with an increase of NT\$2.30 and a growth rate of 33.0%. All those reflect the results of the efforts made by Kedge for contracting the projects with high competition advantages, and reflect a operation result better than that of 2021.

## **(II) Annual Business Plan for 2023**

The Company always adheres to the business philosophy of "honesty, quality, service, innovation and sustainability", and is committed to providing high-quality construction services. In 2022, it will maintain the goal of striving for high-tech and high-value-added projects, and its major revenue drivers will still focus on the projects related to high-tech owners' new processes and government's economic development through railway, etc. to lead excellent cooperating contractors to strive for the projects with high competitive advantages and in line with social development trends, and will implement and share interests and common growth, in addition to balancing its existing projects and the strategies for future performance, with a view to become the long-term partner of high-quality owners.

As of the end of March 112, there are 22 projects in progress, including 9 residential and commercial projects, such as Kindom's Erchongpu, Minquan E. Rd. projects, etc., 4 civil engineering projects, i.e. C212 bid, C611 bid, Taiwan 61 line Houlong and C612 bid, 4 turnkey projects, i.e. Nan Man Market, Taoyuan Convention and Exhibition Centre and Zhongshan Section in Taishan District, and Asia Silicon Valley Innovation and R&D Center, 5 factory projects, such as TSMC's F18 factory area and AP6B factory area, etc., with an approximate amount of NT\$54.7 billion, the amount of which will be recorded in accounts in future 1 to 3 years (5 years for some civil works).

Faced with a shortage of manpower in the market, in response to the Ministry of Labor's reduction of the employment threshold for public works, the flexible adjustment of work tasks for foreign workers in Taiwan, and the application to introduce migrant workers from Indonesia, Thailand, the Philippines, and Vietnam through the launch of the migrant worker program, the entry of migrant workers is subject to a 0+7 self-quarantine and negative rapid screening test, which helps to partially alleviate the labor shortage phenomenon.

Facing the current challenges brought by internal and external business environment such as lack of materials and price fluctuations, etc., Kedge optimizes its construction management process, integrates technical system and tools, and introduces R&D technical construction methods to secure its four cores, i.e. project quality, costs, progress and safety, to remain its competitiveness, on the premises of creating a win-win, mutual benefit and cooperative development mode.

In response to climate change and social structural changes, Kedge will promote the development of optimization and modular construction-related businesses, and will take concrete action on ESG-based initiatives such as greenhouse gas inventory and verification. We are committed to completing carbon inventories for all project engineering and obtaining third-party verification within 3 years, proposing a scientific carbon reduction path within 5 years, and continuing to actively promote carbon reduction in accordance with government policies. In addition, Kedge will more actively work with professional contractors to promote ESG actions and targets, including introducing digital technologies and introducing recyclable building materials and modular construction methods to improve smart construction, smart building materials, and AI applications, so as to implement carbon emission reduction and build a healthy city. Kedge fulfills the vision of sustainable development by taking innovative development, environmental sustainability and social co-prosperity as goals.

### **(III) The Effect of External Competition Environment, the Legal Environment, and the Overall Business Environment**

Based on recent global economic perspective, there will still be a high pressure from inflation due to the continued impact brought by the gradual relaxing of epidemic control measures and the high degree of uncertainty in economic performance caused by Russian-Ukrainian war. Taiwan initially showed resilience and reduced vulnerability in economic structure transformation in 2022. According to the forecast made by the Executive Yuan, domestic economic growth rate in 2022 will be 2.21%, the growth momentum is expected to continue to be better than that of most economies.

In terms of public works, NT\$172.5 billion was included in the total budget for public construction projects in 2023, and NT\$83.2 billion was included in the special budget for forward-looking infrastructure plan (phase 4), special operating and non-operating funds amounted to NT\$341.5 billion, and thus, the total budget is NT\$597.2 billion, with an increase of NT\$145.7 billion and a rise of about 32.3% as compared with the same period in 2022. The overall budget is prioritized and allocated according to the key policies, with a focus on balancing regional infrastructure, enhancing economic potential, and improving international competitiveness.

In terms of residential market, the core parts in the market, i.e. construction stage by stage for rezoning and re-construction of old and dangerous buildings, are promoted expressly. In addition, it is expected that inelastic demands will still play a big role in boosting housing market due to deferred post-epidemic purchase and anti-inflation, however, in consideration of the changes in interest rate environment, the government's policies with strict control over housing market, and increase in the recognition of purchase and sales prices, construction developers will launch projects by considering performance of contract and the high construction costs.

It is expected that there is no room for a short-term decrease in the costs in construction industry, since front-end supply and industrial structure problems, such as construction materials costs, lack of building materials and shortage of skilled manpower, etc., have not been eliminated, however, because relative base period is already high, rising trend will slow down. Kedge formulated countermeasures to ensure that subsequent engineering business will be promoted in a planned quality, appropriately, as scheduled, including implementation of flexible procurement, adjustment to construction schedule, combination of technology applications, improvement of work efficiency, etc., to create the result and achievement of mutual cooperation, benefit and growth with owners, suppliers and employees through sustainable construction projects.

### **(IV) Future Development**

The rapid changes in external environment bring significant challenges to corporate operating. Facing variables such as epidemic situation, inflation, and international political and economic situations, Kedge's staff will continue to work hard to deal with various challenges, and implement practical operating, develop business comprehensively, introduce more modern, delicate and information-based construction methods, and integrate and improve construction management process with technical tools, by focusing on the business philosophy of "honesty, quality, service, innovation and sustainability," so as to ensure unified purchase and allocation of resources for key materials, ensure to determine price based on quantity and determine adjustment time, ensure flexible integration and separation of construction items to master contractor's resources and conform to the requirements for construction schedule, and ensure continued improvement and development of innovative construction methods to provide owners with higher-value services and lead contractors to upgrade technologies.

Looking forward to the future, the Company will accelerate its corporate transformation. In addition to focusing on the intelligent technology and innovative application development by building leading business and improving core competitiveness, Kedge Construction will try to achieve our blueprint goal of sustainable strategy, advance steadily based on the four business polices such as "strengthening corporate governance," "implementing internal control system," "integrating group resources" and "participating in social public welfare," and build the sustainable strategy blueprint through "green homeland," "smart city" and "happy society;" decrease the impact of buildings on environment by means of innovative technology, undertake the social responsibility of caring local and weak groups continuously and develop towards the goal of sustainability; perform responsibilities of enterprise and shareholder and create a better future.

Wishing you all good health and good luck,

Kedge Construction Co., Ltd.

Chairman Ai-Wei Yuan

## Chapter 2. Company Profile

I. Date of Incorporation: April 13, 1982.

II. Company History:

- April 71 The Company was registered and incorporated in Taoyuan County with a capital of NT\$3 million.
- October, 76 The company increased its capital to NT\$7.5 million.
- February 1990 The company was promoted to a class A construction plant, and increased its capital to NT\$22.5 million in the same year.
- December, 83 The company relocated to 6F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.), and increased its capital to NT\$190 million in the same year.
- December, 84 The Company passed the national quality certification ISO 9002, being the second construction factory in Taiwan to pass the certification.
- September 85 The Company passed the assessment of Chinese Society for Quality and was awarded the "Quality Control Group Award". In the same year, the company increased its capital to NT\$368.5 million and won the "Chinese Architectural Golden Stone Award - Construction Quality".
- June 86 The company increased its capital to NT\$461.175 million and was selected as an excellent construction plant by Construction and Planning Agency, Ministry of the Interior.
- December The re-invested company Guanqing Electromechanical Co., Ltd. was registered for incorporation.
- January 87 The re-invested company Jiequn Investment Co, Ltd was registered for incorporation.
- May The company passed the international environmental protection certification ISO 14001.
- July The company was listed on Taipei Exchange.
- August The company increased its capital to NT\$530.351 million and was selected again as an excellent construction plant of Taiwan Province.
- July, 1999 The company was awarded the Gold Medal for "Excellent Trademark Design" by the Bureau of Standards, Metrology and Inspection, M.O.E.A.
- May 89 The company increased its capital to NT\$676.993 million.
- September The Company's stock was listed.
- May 90 The company decreased its capital to NT\$671.063 million.
- October The company decreased its capital to NT\$661.063 million.
- July 2009 The Company issued domestic guarantee convertible corporate bonds of NT\$240 million for the first time.



- October The Company was awarded the Green Building Label Certificate by the Ministry of the Interior for the "New Construction of the Children's Medical Building of the Affiliated Hospital of the National Taiwan University College of Medicine".
- April 99 The company converted its corporate bonds into common stocks to increase the paid-in capital to NT\$1,079.497 million.
- October The company issued 27,200 shares to increase capital by cash for the first time, and increased the paid-in capital to NT\$958.007million.
- April 100 The company converted its corporate bonds into common stocks to increase the paid-in capital to NT\$1,079.497 million.
- August The company converted its corporate bonds into common stocks to increase the paid-in capital to NT\$1,079.497 million.
- November, 101 The company canceled its treasury shares for capital reduction to decrease the paid-in capital to NT\$1,060.357 million. The construction of the New Building of the Cross-Strait Exchange Foundation won the 14th National Gold Award for Architecture - Construction Quality Class - National First Award.
- December The YCL-121 Yuanlin Overpass Project won the Public Construction Golden Safety Award - Engineering Class - Finalist.
- October, 103 The Rainwater and Waterway Engineering at Fukuo Road won the Public Construction Golden Safety Award - Engineering Class - Outstanding.
- May 104 New Taipei City Yong-He Civil Sports Center, Xi-Zhi Civil Sports Center and Shulin Civil Sports Center won the 2014 New Taipei City Occupational Safety Award - Excellent Public Construction Class - Excellent Award, and the Rainwater and Waterway Engineering at Fukuo Road won the 2014 Taipei City Labor Safety Award - Excellent Entity Class.
- November, 104 The Company was awarded the "2015 Taiwan Corporate Sustainability Awards", including Taiwan Corporate Sustainability Report Awards and Taiwan Corporate Sustainability Performance - Growth through Innovation Award.
- October, 105 The construction turnkey project of the "New Taipei City Shulin Civil Sports Center" won the 2016 New Taipei City Government Public Construction Quality Award.
- November, 105 The construction turnkey projects of the "New Taipei City Yonghe Civil Sports Center, Xizhi Civil Sports Center and Shulin Civil Sports Center" won the 16th Public Construction Quality Excellence Award-Gold Award for Architecture.
- June 106 The construction turnkey projects of the "New Taipei City Yonghe Civil Sports Center, Xizhi Civil Sports Center and Shulin Civil Sports Center" won the Engineering Excellence Award from the Chinese Institute of Engineers.
- November The company was awarded the 2017 TCSA Taiwan Corporate Sustainability Awards - Real Estate and Construction Industry - Gold Award.

- January 107      The Company passed the new national quality management certification ISO 9001:2015.
- November      The company won the 2018 TCSA Taiwan Corporate Sustainability Awards - Sustainability Report Awards - Gold Award, and was the first to pass the certification of the International Building Information Modeling (BIM).
- December      The Company obtained the certificate of civil construction industry passing the ISO 45001 new version certification of occupational safety and health management, being the first in the country.
- July 108      The company obtained the Carbon Footprint Verification Statement for the C1 Section Project of Anshuo-Caopu Section of South Link Highway of Provincial Highway No. 9 from Taitung City to Fenggang.
- September      Civil Engineering and General Mechanical and Electrical Engineering of the Pu'an-Jinlun Section of the C712A Section won the 13th Public Construction Golden Safety Award - Outstanding of the Ministry of Labor.  
 The Company obtained the first national ISO 19650 BIM Verification Certificate.
- November      The company was awarded the Gold Award and Innovation Growth Award of the 12th TCSA Taiwan Corporate Sustainability Awards - Sustainability Report Gold Awards and Growth through Innovation Award.  
 The BOT project of Fengshan Hospital won the 2019 Urban Construction Quality Gold Award and Green Building Gold Excellence Award of the Kaohsiung City Government.  
 The company was awarded the 2019 Green Procurement Performance Excellence Award by the New Taipei City Government.
- December      The Company obtained the first national BS 8001 Circular Economy Verification Certificate.
- In September 109,      The First Phase of the BOT project of Fengshan Hospital was awarded "Outstanding Unit for Promotion of Occupational Safety and Health" by the Ministry of Labor.
- October      The "C1 Section Project of Anshuo-Caopu Section of South Link Highway of Provincial Highway No. 9" was awarded No. 1 in Excellent Engineering Project of the Golden Way Award from the Ministry of Transportation and Communications.
- November      The Company was awarded Taiwan Sustainability Award in the categories of "Taiwan Top 50 Sustainable Enterprises" and "Taiwan Enterprise Sustainability Report Award - Real Estate and Construction Industries - Gold Award."  
 Phase I of the BOT project of Fengshan Hospital was awarded the "109 Urban Engineering Quality Golden Award" from Kaohsiung City Government.  
 New construction of Zhongyuan Project B of Kindom Xinzhuang was awarded an Excellence Award of the 14th Golden Safety Award in the Group of Civil Engineering - Engineering Category.

- December      The Company was awarded the TASS 2021 Circular Economy Awards in the category of Excellence in Innovative Service and Excellence in Supply Chain.
- The Company was awarded the 2020 Green Procurement Performance Excellence Award by the Environmental Protection Department, New Taipei City Government.
- The "C4 Section Project of Provincial Highway No. 9" obtained the Carbon Footprint Verification from BSI.
- In September 110,      "Kindom's Construction Project of Residential Houses in Zhongxing Section in Sanchong District" was awarded with the 10th New Taipei City Award for Construction Safety - Excellence Award.
- "Project of Anshuo to Caopu Section of Provincial Highway No. 9" won the first price of Mino Best Project-High Volume Road granted by REAAA.
- "New Construction of Buildings in Bei'an Section and Rui'an Section" won Taipei City Labor Safety Award - Excellent Entity Class.
- October      "Civil Engineering and General Mechanical and Electrical Engineering of the Pu'an-Jinlun Section of the C712A Section" won the Excellence Award in the review on construction by Railway Bureau, MOTC.
- November      November: "Turnkey Project of Baogao Smart Industrial Park in Xindian District, New Taipei City" won the 2021 New Taipei City Government Public Construction Quality Award.
- The Company won the "Construction Industry - Gold Award" in 110 Happy Enterprise Billboard.
- The Company was awarded "Taiwan Sustainability Award - Good Performance Prize" and "Corporate Sustainability Report Gold Award" by the 2021 TCSA.
- The Company was awarded the 2021 Green Procurement Performance Excellence Award by the "Environmental Protection Department, New Taipei City Government".
- "Construction Project of G8 Station for Beitun Section of Wenxin Rd" won the 15th Golden Award for Excellent Projects of the Ministry of Labor - Excellent Class.
- The Company won the 4th ASSET Social Innovation Award in the category of "Supply Chain Responsibility Award".
- "Civil Engineering and General Mechanical and Electrical Engineering of the Pu'an-Jinlun Section of the C712A Section" was awarded with the Outstanding Work Award in the Engineering Beautification and Landscape category granted by Chinese Institute of Civil & Hydraulic Engineering; "Project of Anshuo to Caopu Section of Provincial Highway No. 9" was awarded with the Excellence Award in the category of Engineering Ecology and Environment.

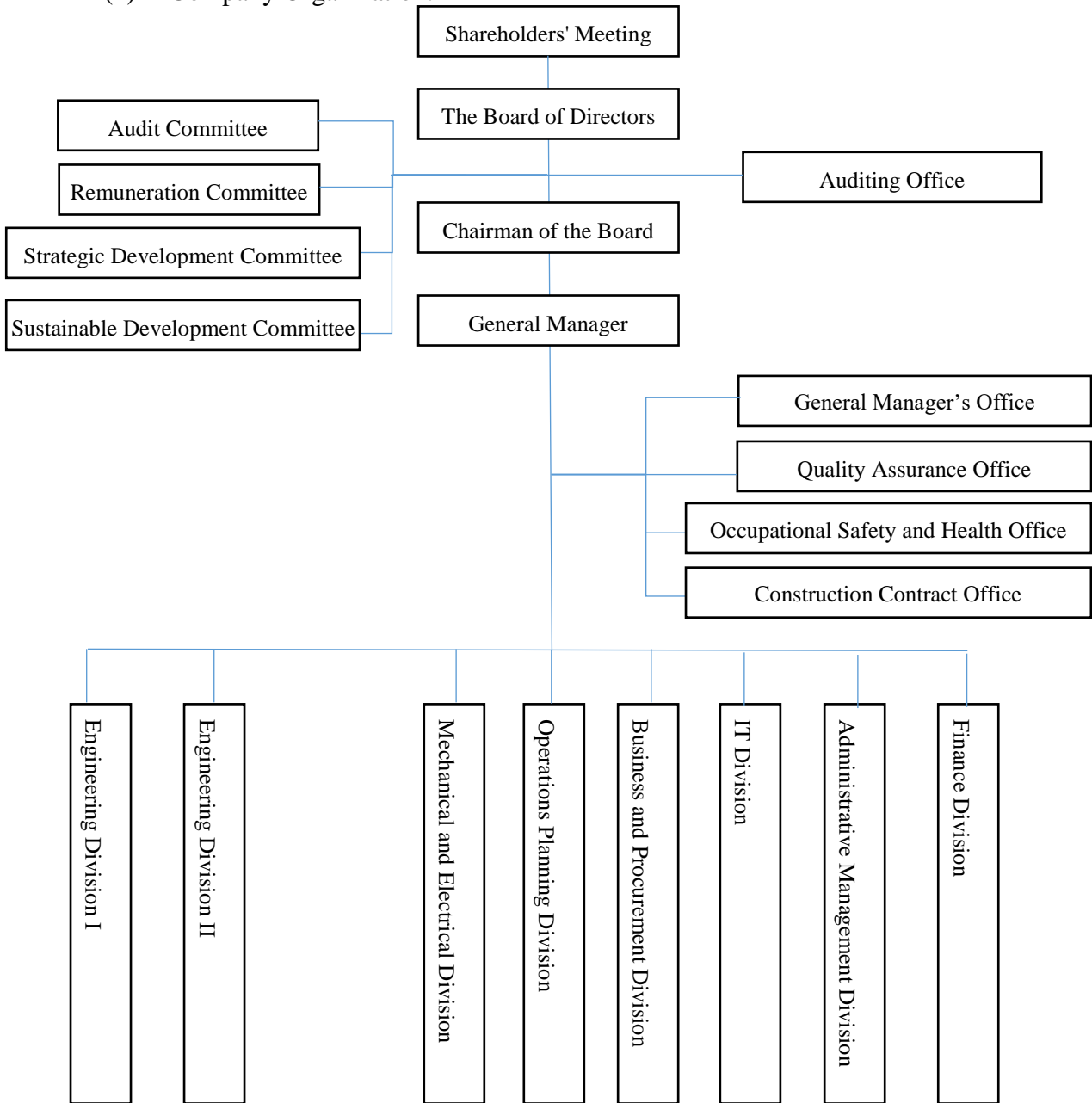
·August 2022      September 2021: "Kindom's Construction Project of Residential Houses in Zhongxing Section in Sanchong District" was awarded with the 11th New Taipei City Award for Construction Safety - Excellence Award.

- III. Information on the merger and acquisition activities, strategic investments in affiliated enterprises and corporate reorganization in the most recent year and in the current year as of the publication date of the Annual Report: None.
- IV. Instances in which a major quantity of shares belonging to Directors, Supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands in the most recent fiscal year and the current fiscal year up to the date of publication of the annual report: None.
- V. Any change in managerial control, any material change in operating methods or type of business, and any other matters of material significance that could affect shareholders' equity in the most recent fiscal year and the current fiscal year up to the date of publication of the annual report: None.

## Chapter 3. Corporate Governance Report

### (I) Organization:

#### (1) Company Organization:



(2) Business operations of major departments:

Name of Division	Tasks
Audit Committee	Assist the Board of Directors in decision making and supervise the presentation of the Company's financial reports, appointment (dismissal), independence and performance of CPAs, and the effective implementation of the Company's internal controls, compliance with related laws and regulations, and risk management.
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Stipulate and review regularly the remuneration policies, systems, standards and structures, and performance of directors, supervisors, and managers.</li> <li>2. Regularly review and adjust director, supervisor and manager remuneration.</li> </ol>
Strategic Development Committee	Assist the Company in formulating development strategies, organization operations, and matter for management. Supervise the stipulation of the annual operating goals and evaluate their implementation.
Sustainable Development Committee	Implement the Group's sustainable development strategy, responsible for undertaking and executing the Group's sustainable development strategy, and promoting sustainability-related matters.
Auditing Office	<ol style="list-style-type: none"> <li>1. Conduct audits on each department and construction site in accordance with the annual audit plan and ISO regulations.</li> <li>2. Assist in tracking and reporting on deficiencies and necessary improvements identified through self-audits conducted by each unit, and submit these to the Board of Directors and the Audit Committee for review.</li> </ol>
Construction Contract Office	<ol style="list-style-type: none"> <li>1. Review the contract documents, drawings and tender conditions of the works owners.</li> <li>2. Review the scope of contractor's contractual responsibility, material specifications, and use of construction methods, etc.</li> <li>3. Assist in reviewing the appropriateness of issued documents for construction site to avoid subsequent disputes stipulated in the contract.</li> </ol>
Quality Assurance Office	Be responsible for the improvement recommendations of quality assurance operations or procedures, and the overall management of ISO standards and procedures.
Occupational Safety Office	<ol style="list-style-type: none"> <li>1. Plan and implement the management of labor safety and health, and formulate plans to prevent occupational disasters.</li> <li>2. Manage and control the labor safety and health works of engineering projects, including reviewing and developing construction safety plans, safety facility standards, and assessing dangerous workplace.</li> </ol>
Engineering Division I	Be responsible for the schedule arrangement, construction planning and management, project cost control and quality management for factories, turnkey projects, as well as road, bridge and other special projects.
Engineering Division II	Be responsible for the schedule arrangement, construction planning management, project cost control and quality management of residential, commercial and projects engineering.

Name of Division	Tasks
Operations Planning Division	<ol style="list-style-type: none"> <li>1. Operation Management Department: Draw up, control and review the schedule planning and audit schedule valuation of engineering projects, and formulate relevant management measures for the support of the works projects.</li> <li>2. Cost Management Department: Manage and control engineering project costs, draw up, control and review the project budget and cost control of each project, and formulate management process for the support of the works projects.</li> </ol>
Business and Procurement Division	<ol style="list-style-type: none"> <li>1. Business Department: Draw up business contracting plan, be responsible for business development and bidding integration, maintain and serve client relationship.</li> <li>2. Planning Department: Establish a corporate brand image to enhance market competitiveness and visibility, assist in analyzing industry innovation and benchmarking standards competitiveness, plan and execute corporate image promotional activities, and manage the official website and social media.</li> <li>3. Procurement Department: Develop procurement operating procedures, implement procurement, contract awarding and management and control of schedule, including price comparison and award of bid, contract signing, development of manufacturers, credit investigation and evaluation.</li> </ol>
Mechanical and Electrical Division	<p>Stipulate, analyze, and review electromechanical standard operation specifications. Establish self-management sub-items and subcontract management. Manage and control the quality and progress of mechanical and electrical facilities, test and review mechanical and electrical systems.</p>
Administrative Management Division	<ol style="list-style-type: none"> <li>1. Human Resources Department: Be responsible for the strategic planning of human resources, promotion and training programs, employee remuneration, rewards and welfare work, employee care and labor issues handling.</li> <li>2. General Affairs Department: Be responsible for property management, general affairs procurement and general administration.</li> <li>3. Legal Department: <ol style="list-style-type: none"> <li>3.1. Implement and control legal risks and provide legal advice.</li> <li>3.2. Approve various contracts and official documents and control the relevant printing.</li> <li>3.3. Handle litigation or provide legal compliance advice for non-litigation dispute cases.</li> </ol> </li> </ol>
Finance Division	<ol style="list-style-type: none"> <li>1. Responsible for the operations of the finance and accounting system and participating in management and decision making.</li> <li>2. Accounting Department: Be responsible for accounting, management of shareholder services, budget management, and auditing.</li> <li>3. Management and Accounting Department: Conduct analysis of business operations, financial planning and risk assessment for new businesses, prepare budgets for new business objectives, track and review progress.</li> </ol>

Name of Division	Tasks
IT Division	Be responsible for the development, planning, and implementation of the information software and hardware, assisting data usage analysis, data management, and information security, the construction of the information system for future development, and the maintenance and management of computer equipment.



(II) Profile of Directors, Independent Directors, President, Vice Presidents, Assistant Vice Presidents, Departments, and Branch Managers:

(1) Director and Independent Director Information:

April 4, 2023 (Unit: shares)

Title (Note 1)	Nationality or Place of Registration	Name	Gender/ age	Date Elected	Term (Years)	Commence ment Date of The First Term (Note 2)	Shareholding When Elected		Current Shareholding		Current Shareholding by Spouse & Minor Child(ren)		Shareholding by Nominees		Major Experience (Education) (Note 3)	Other Position Concurrently Held in the Company and Other Companies	Heads, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark (Note 4)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	R.O.C.	Kindom Development Co., Ltd. Representative : Ai-Wei, Yuan	Male 56 - 60	2020.06.15	3	2014.06.17	36,247,768 -	34.18% -	39,872,544 -	34.18% -	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	Chairman of the Board, Kedge Construction Co., Ltd.	-	-	-	-
Director	R.O.C.	Kindom Development Co., Ltd. Representative : Mike, Ma	Male 46 - 50	2020.06.15	3	2020.06.15	36,247,768 1,830,951	34.18% 1.73%	39,872,544 2,014,046	34.18% 1.73%	-	-	-	-	Master, Department of Statistics, Columbia University	1. Chairperson, Global Mall Co., Ltd. 2. Director, Yude Investment Co., Ltd. 3. Director, Guanqing Electromechanical Co., Ltd. 4. Director, Jiequn Investment Co., Ltd. 5. Director, KGM International Investment Co., Ltd. 6. Director, Kindom Yu San Education Foundation	Director	Mei- Chu, Liu	Mother and son	-
Director	R.O.C.	Kindom Development Co., Ltd. Representative : Ching-Sung, Tseng	Male 71 - 75	2020.06.15	3	2020.06.15	36,247,768 -	34.18% -	39,872,544 -	34.18% -	-	-	-	-	Bachelor, Department of Industrial Engineering, Tunghai University	1. Chief Consultant, Kindom Development Co., Ltd. 2. Director, Kindom Yu San Education Foundation	-	-	-	-
Director	R.O.C.	Kindom Development Co., Ltd. Representative : Mei-Chu, Liu	Female 81 - 85	2020.06.15	3	2017.12.22	36,247,768 2,824,973	34.18% 2.66%	39,872,544 3,107,470	34.18% 2.66%	-	-	-	-	Bachelor, Department of Chinese Literature, Tamkang University	1. Chairperson, Yude Investment Co., Ltd. 2. Director, Kindom Development Co., Ltd.	Director	Mike, Ma	Mother and son	-
Director	R.O.C.	Kindom Development Co., Ltd. Representative : Yi-Fang, Huang	Male 61 - 65	2020.06.15	3	2014.03.13	36,247,768 -	34.18% -	39,872,544 -	34.18% -	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	President, Kedge Construction Co., Ltd.	-	-	-	-
Director	R.O.C.	Kindom Development Co., Ltd. Representative : Shih-Hsuan, Chou	Male 56 - 60	2020.06.15	3	2011.04.01	36,247,768 73,789	34.18% 0.07%	39,872,544 81,167	34.18% 0.07%	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	1. President, Kedge Construction Co., Ltd. 2. Chairman of the Board, Ding Tian Construction Co., Ltd.	-	-	-	-
Independent Director	R.O.C.	Hung-Chin, Huang	Male 56 - 60	2020.06.15	3	2017.06.19	-	-	-	-	-	-	-	-	Master of Professional Accounting, Shanghai University of Finance and Economics	1. Independent Director, Kindom Development Co., Ltd. 2. CPA, Henghui United Accounting Firm 3. Assistant Professor, Department of Accounting, Fu Jen Catholic University	-	-	-	-
Independent Director	R.O.C.	Shen-Yu, Kung	Male 66 - 70	2020.06.15	3	2017.06.19	-	-	-	-	-	-	-	-	EMBA, National Chengchi University	1. Independent Director, Kindom Development Co., Ltd.	-	-	-	-

Title (Note 1)	Nationality or Place of Registration	Name	Gender/ age	Date Elected	Term (Years)	Commence ment Date of The First Term (Note 2)	Shareholding When Elected		Current Shareholding		Current Shareholding by Spouse & Minor Child(ren)		Shareholding by Nominees		Major Experience (Education) (Note 3)	Other Position Concurrently Held in the Company and Other Companies	Heads, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark (Note 4)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
																2. Chief Investment Officer, Sinar Mas Paper (China) Investment Co., Limited 3. Representative of the corporate director, PharmaEssentia 4. Independent Director, Ever Power Co., Ltd.				
Independent Director	R.O.C.	Kuo-Feng, Lin	Male 66 - 70	2020.06.15	3	2020.06.15	-	-	-	-	-	-	-	-	Ph.D. in Civil Engineering, University of Pittsburgh	1. Independent Director, Kindom Development Co., Ltd. 2. Distinguished Professor, Department of Civil Engineering, National Taiwan University 3. Independent Director, Ruentex Engineering & Construction Co., Ltd. 4. Independent Director, TaiMed Biologics Inc.	-	-	-	-

- Note 1. Please refer to the Table 1 in the next page for the information on the major shareholder of a juristic person shareholder if a Director is a representative of the juristic person shareholder, and the major shareholder if the major shareholder of the juristic person shareholder is a juristic person.
- Note 2. Any disruption of duty as a Director or Supervisor after he/she is elected for the first time shall be included in a separate note.
- Note 3. Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, shall be disclosed along with job titles and responsibilities.
- Note 4. Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

Table 1: Major Shareholders of Corporate Shareholders:

April 4, 2023

Name of Corporate Shareholder (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
Kindom Development Co., Ltd.	Yude Investment Co., Ltd. (19.12%)
	Mei-Chu Liu (11.96%)
	Guanyi Investment Co., Ltd. (3.30%)
	Chih-Kang Ma (1.95%)
	Jiequn Investment Co., Ltd. (1.69%)
	Baiqian Co., Ltd. (1.09%)
	Lu-Min Chen (1.05%)
	Shao-Ling Ma (1.01%)
	Yi-Mou Chen (0.96%)
	Vanguard Emerging Markets Stock Index Fund under custody of JP Morgan Chase Bank N.A. Taipei Branch(0.86%)

Note 1. Where a Director or Supervisor is the representative of a juristic person shareholder, the name of the juristic person shareholder shall be stated.

Note 2. Fill in the name of major shareholders (with shareholding ratio of top 10) of the legal person shareholder and their shareholding ratio. Where a major shareholder is a juristic person, please proceed to fill in more details in Table 2 below.

Note 3. Note 3: Where a juristic person shareholder is the organizer of the company, the name and shareholding ratio of the shareholders, the name of contributors or donors and their contribution or donation ratio shall be disclosed in proceeding table.

Table 2: Major Shareholders of Such Corporate Shareholders with Corporations as Their Major Shareholders as Specified in Table 1:

April 4, 2023

Name of Juridical Person (Note 1)	Major Shareholders of Juridical Person (Note 2)
Yute Investment Co., Ltd.	Trust Property Account in the Custody of Cathay United Bank (43.70%); Chih-Kang Ma (29.92%); Shao-Ling Ma (13.19%); Ming-Nai Ma (13.19%)
Guanyi Investment Co., Ltd.	Kai-Chou Li (14.73%); Kai-Ting Li (14.71%), Yi-Mou Chen (8.97%); Fang Chen (8.88%); Kun-Chih Li (8.70%); Mi-Mi Hung (7.63%); Chao-Feng Chen (0.13%)
Jiequn Investment Co., Ltd.	Kedge Construction Co., Ltd (99.98%); Mei-Chu Liu (0.005%); Shao-Ling Ma (0.005%); Jung-Tai Chen (0.005%); Kun-Chih Li (0.005%)

Note 1. If the major shareholder in the above Table 1 is a juristic person, the name of such juristic person shall be filled in.

Note 2. Fill in the name of major shareholders (with shareholding ratio of top 10) of the legal person and their shareholding ratio.

Note 3. Where a juristic person shareholder is the organizer of the company, the name and shareholding ratio of the shareholders, the name of contributors or donors and their contribution or donation ratio shall be disclosed in proceeding table.

(2) Director and Independent Director Information:

1. Professional qualifications of Directors and Independent Directors and independence information disclosure of Independent Directors:

April 4, 2023

Name	Qualifications	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of Other Public Companies in which Concurrently Holding Position as Independent Director
Chairman Ai-Wei, Yuan	<ol style="list-style-type: none"> <li>1. He/she has extensive and complete experience within the Group, served as Assistant Manager, Vice President, Senior Vice President of the Planning and Design Division, Kindom Development Co., Ltd., and Representative of Institutional Director of the Company.</li> <li>2. Possesses a architectural planning and design background and operational judgment, operation management, industrial knowledge, decision-making, and leadership capabilities and experience.</li> <li>3. He/she is serving as the Company's Chairperson at present.</li> <li>4. Does not contain matters related to all paragraphs of Article 30 of the Company Act.</li> </ol>	(N/A)	None	
Director Mike, Ma	<ol style="list-style-type: none"> <li>1. Served in various positions within the Group, including the Business Department and Development Department of Kindom Development Co., Ltd., followed by Vice President and President of Global Mall Co., Ltd., and General Manager of Kindom Development's Development and Investment Department. He also serves as Representative of Institutional Director of the Company.</li> <li>2. Possesses a complete business management background and operational judgment, operation management, industrial knowledge, finance and accounting, decision-making, and leadership capabilities and experience.</li> <li>3. Currently serving as the Chairperson of Kindom Development and Global Mall Co., Ltd.</li> <li>4. Does not contain matters related to all paragraphs of Article 30 of the Company Act.</li> </ol>	(N/A)	None	
Director Ching-Sung, Tseng	<ol style="list-style-type: none"> <li>1. With extensive and complete experience within the Group, he has served as General Manager of Kindom Development's Business Department and Development Department, as well as</li> </ol>	(N/A)	None	

Name / Qualifications	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of Other Public Companies in which Concurrently Holding Position as Independent Director
	<p>General Manager and spokesperson of Kindom Development. He also served as Representative of Institutional Director of the Company. He currently serves as the Chief Advisor of Kindom Development.</p> <p>2. Possesses a complete land development background and operational judgment, operation management, industrial knowledge, decision-making, and leadership capabilities and experience.</p> <p>3. Does not contain matters related to all paragraphs of Article 30 of the Company Act.</p>		
Director Mei-Chu, Liu	<p>1. Possesses many years of operational judgment, operation management, industrial knowledge, finance and accounting, decision-making, and leadership capabilities and experience.</p> <p>2. He/she is serving as the chairperson of Yude Investment Co., Ltd. and a representative of a corporate director of Kindom Development Co., Ltd. and the Company.</p> <p>3. Does not contain matters related to all paragraphs of Article 30 of the Company Act.</p>	(N/A)	None
Director Yi-Fang, Huang	<p>1. With extensive experience in the industry, he/she has served as Assistant Manager of the General Manager's Office and Engineering Project Department, Deputy General Manager of Engineering Systems, and Deputy General Manager of the Civil Engineering Department. He/she currently holds the positions of Head of Engineering Division 1, General Manager of the Company, and Representative of Institutional Director of the Company.</p> <p>2. Possesses a complete civil engineering background and operational judgment, operation management, industrial knowledge, decision-making, and leadership capabilities and experience.</p> <p>3. Does not contain matters related to all paragraphs of Article 30 of the Company Act.</p>	(N/A)	None
Director Shih-Hsuan, Chou	<p>1. With extensive and complete experience in the Group, he/she has served in the Works Department of Kindom Development, as Assistant Manager of the General Manager's Office and Engineering Project Department, Deputy General Manager of</p>	(N/A)	None

Name \ Qualifications	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of Other Public Companies in which Concurrently Holding Position as Independent Director
	<p>Engineering Systems, and Deputy General Manager of the Construction Engineering Department. He/she currently holds the positions of Head of Engineering Division 2, General Manager of the Company, and Representative of Institutional Director of the Company.</p> <p>2. Possesses a complete civil engineering background and operational judgment, operation management, industrial knowledge, decision-making, and leadership capabilities and experience.</p> <p>3. Does not contain matters related to all paragraphs of Article 30 of the Company Act.</p>		
Independent Director Hung-Chin, Huang	<p>1. Convener of the Audit Committee and Remuneration Committee. Served in PricewaterhouseCoopers, Taiwan, served as director of the Tax Agent Association. Currently serving as Managing Partner of Henghui United Accounting Firm, Assistant Professor, Department of Accounting, Fu Jen Catholic University, and independent director of Kindom Development.</p> <p>2. Possesses a complete finance and accounting background and operational judgment, operation management, industrial knowledge, decision-making, and leadership capabilities and experience.</p> <p>3. Does not contain matters related to all paragraphs of Article 30 of the Company Act.</p>	<p>1. The Independent Directors of the Company are in compliance with the independence criteria.</p> <p>2. Independent Directors, their spouses and relatives within the second degree of kinship do not serve as the Directors, Supervisors or employees of the Company or its any affiliates, do not hold shares in the Company, nor serve as the directors, supervisors or employees of the companies having specific relation with the Company.</p> <p>3. He/she has not received any remuneration due to provision of commercial, legal, financial, accounting or any other services to the Company or its any affiliates in the most recent 2 years.</p>	1
Independent Director Shen-Yu, Kung	<p>1. A member of the Audit Committee and served as independent director of Donpon Precision Inc. He/she is serving as the investment supervisor of Sinar Mas Paper (China) Investment Co., Limited, representative of the corporate director PharmaEssentia, independent director of Ever Power Co., Ltd., and independent director of Kindom Development Co., Ltd.</p> <p>2. Possesses a complete business management background and operational judgment, operation management, industrial knowledge, finance and accounting, decision-making, and leadership capabilities and experience.</p> <p>3. Does not contain matters related to all paragraphs of Article 30 of the Company Act.</p>	<p>1. The Independent Directors of the Company are in compliance with the independence criteria.</p> <p>2. Independent Directors, their spouses and relatives within the second degree of kinship do not serve as the Directors, Supervisors or employees of the Company or its any affiliates, do not hold shares in the Company, nor serve as the directors, supervisors or employees of the companies having specific relation with the Company.</p> <p>3. He/she has not received any remuneration due to provision of commercial, legal, financial, accounting or any other services to the Company or its any affiliates in the most recent 2 years.</p>	1
Independent Director	1. Member of the Audit Committee and Remuneration Committee.	1. The Independent Directors of the Company are in	3

Name	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of Other Public Companies in which Concurrently Holding Position as Independent Director
Kuo-Feng, Lin	<p>Currently serving as Distinguished Professor, Department of Civil Engineering, National Taiwan University, independent director of Ruentex Engineering &amp; Construction and TaiMed Biologics, and independent director of Kindom Development.</p> <p>2. Possesses a extensive background in civil engineering knowledge and technology and operational judgment, operation management, industrial knowledge, decision-making, and leadership capabilities and experience.</p> <p>3. Does not contain matters related to all paragraphs of Article 30 of the Company Act.</p>	<p>compliance with the independence criteria.</p> <p>2. Independent Directors, their spouses and relatives within the second degree of kinship do not serve as the Directors, Supervisors or employees of the Company or its any affiliates, do not hold shares in the Company, nor serve as the directors, supervisors or employees of the companies having specific relation with the Company.</p> <p>3. He/she has not received any remuneration due to provision of commercial, legal, financial, accounting or any other services to the Company or its any affiliates in the most recent 2 years.</p>	

Note 1. Professional Qualification and Experience: The professional qualification and experience of individual directors and supervisors shall be specified. If he/she is an Audit Committee's member who has accounting or financial skills, his/her accounting or financial background and working experience shall be specified. In addition, it shall be specified that if any situations specified in Article 30 of the Company Act occurred to him/her.

Note 2. Independent director shall describe the circumstances of independence, including but not limited to whether the individual, the individual's spouse or a relative within the second degree serves as directors, supervisors, or employees of the Company or its affiliated companies; whether the individual, the individual's spouse or a relative within the second degree (or in the name of others) holds shares of the Company and the proportion of shares; serves as directors, supervisors or employees of companies with a certain relationship to the Company; the remuneration received for providing business, legal, financial, accounting, and other services to the Company or its affiliates in the last two years

## 2. Diversity and Independence of the Board of Directors:

### (I) Diversity of the Board of Directors:

1. To implement its diversification policy, the Company has formulated appropriate diversification policies in accordance with Article 20 of the "Corporate Governance Best-Practice Principles" for the Company's operations, business model, and development needs, in order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors. These standards include, but are not limited, to the following two aspects:
  - (1) Basic requirements and values: gender, age, nationality, and culture.
  - (2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

- Members of the Board of Directors of the Company should generally possess the knowledge, skills, and qualities necessary to perform their duties. In order to achieve the ideal goal of corporate governance, the Board of Directors as a whole should possess key abilities including operational judgment, management, industry knowledge, financial analysis, and leadership decision-making, in order to grasp the potential impact of changes in the international market on the company's business strategy and provide necessary guidance for crisis management.
- The Company's current Board of Directors is composed of nine directors. The specific management goals for and achievement of the Board of Directors diversity policy are as follows:

Management Goals	Achievement Status
The number of Independent Directors exceeds 1/3 of the number of Directors	Achieved
The Directors who concurrently serve as the Company's managerial officers shall not account for more than 1/3 of all Directors.	Achieved
Independent Directors have not served for more than three tenures	Achieved
They have adequate and diverse professional knowledge and skills	Achieved

- Please refer to the following table for the diversify of composition of the Board of Directors:

Items of Core Diversity Name of Director		Basic Composition					Professional Ability					Background				
		Nationality	Gender	Age		Concurrently serving as the Company's (parent company's) employees	Operational Judgment	Business Management	Knowledge in the Industry	Accounting analysis	Decision-making and Leadership	Business	Document Processing	Civil engineering	Land Management	Accounting
				40 to 59 years old	60 years old or above											
Director	Ai-Wei, Yuan	R.O.C.	Male	✓			✓	✓	✓		✓			✓		
Director	Mike, Ma	R.O.C.	Male	✓			✓	✓	✓	✓	✓					
Director	Ching-Sung, Tseng	R.O.C.	Male		✓		✓	✓	✓		✓				✓	
Director	Yi-Fang, Huang	R.O.C.	Male		✓	✓	✓	✓	✓		✓			✓		
Director	Shih-Hsuan, Chou	R.O.C.	Male	✓		✓	✓	✓	✓		✓			✓		
Director	Mei-Chu, Liu	R.O.C.	Female		✓		✓	✓		✓	✓	✓				
Independent Director	Hung-Chin, Huang	R.O.C.	Male	✓			✓	✓	✓	✓						✓
Independent Director	Shen-Yu, Kung	R.O.C.	Male		✓		✓	✓	✓	✓	✓					
Independent Director	Kuo-Feng, Lin	R.O.C.	Male		✓		✓		✓		✓			✓		



(II) Independence of the Board of Directors:

1. The Company's procedures for election and appointment of all Directors are open and fair, and comply with its Articles of Incorporation, Procedures for Election of Directors, and Corporate Governance Best-Practice Principles, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and Article 14-2 of the Securities and Exchange Act, etc. In terms of the composition and structure of its current Board of Directors, there are 3 Independent Directors (33%) and 6 non-independent directors (67%). Independent directors should not serve more than three consecutive terms and should not serve more than 3 companies concurrently independent directors. The term of service for independent directors is 3 to 6 years.
2. The Board of Directors of the Company is responsible for guiding the Company's strategy and overseeing its management. They exercise their powers in accordance with the law, the Company's articles of incorporation, or shareholder resolutions, and follow the internal systems and arrangements of corporate governance, emphasizing independent operations and transparency. Each director and independent director independently exercises their duties and maintains a high degree of self-discipline. When they or the legal person they represent have an interest in the resolutions to be discussed in the Board of Directors meeting, they will explain the material contents of the conflict of interest at the meeting and will recuse themselves if they may harm the Company's interests. They will not act as an agent for other directors to exercise their voting rights.

(3) Information Regarding President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Subsidiaries:

April 4, 2023 (Unit: shares)

Title	Nationality	Name	Gender	Office Assumption Date	Shareholding		Spouse & Minor Child(ren) Shareholding		Shareholding by Nominees		Major Experience (Education) (Note 1)	Other Position Concurrently Held in Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remarks (Note 2)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
General Manager	R.O.C.	Yi-Fang, Huang	Male	2009.05.01	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	
Assistant General Managers	R.O.C.	Chun-Ming Chen	Male	2006.03.01	759	-	17,600	0.02%	-	-	Master, Department of Civil Engineering, National Chiao Tung University	1. Director of Jiequn Investment Co., Ltd. 2. Director of Global Mall Co., Ltd.	-	-	-	-
Senior Assistant General Manager	R.O.C.	Chin-Hua, Fan	Male	2015.12.01	68,488	0.06%	2,482	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	1. Chairman of Guanqing Electromechanical Co., Ltd. 2. Director of Global Mall Co., Ltd. 3. Director of Kindom Yu San Education Foundation	-	-	-	-
Senior Assistant Vice President	R.O.C.	Li-Ya, Chen	Female	2018.01.01	-	-	-	-	-	-	Master, Department of Business Administration, Chung Yuan Christian University	Corporate Governance Manager, Kindom Development Co., Ltd.	-	-	-	-
Assistant Vice President	R.O.C.	Chao-Ming, Chen	Male	2010.12.20	-	-	-	-	-	-	Bachelor, Department of Civil Engineering, National Taiwan University	-	-	-	-	
Senior Assistant Vice President	R.O.C.	Wen-Hsiung, Chou	Male	2012.01.01	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	Supervisor, Jiequn Investment Co., Ltd.	-	-	-	-
Senior Assistant Vice President	R.O.C.	Chih-Kuo, Tseng	Male	2012.12.27	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	
Senior Assistant Vice President	R.O.C.	Hsien-Chin, Chiu	Male	2012.01.01	-	-	-	-	-	-	Bachelor, Department of Civil Engineering, Tamkang University	-	-	-	-	
Senior Assistant Vice President	R.O.C.	Chun-Cheng, Liang	Male	2015.08.03	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	
Assistant Vice President	R.O.C.	Chung-Te, Hsiao	Male	2014.07.01	-	-	-	-	-	-	Associate Degree, Department of Civil Engineering, Nanya Industrial and Commercial College	-	-	-	-	
Assistant Vice President	R.O.C.	Wen-Chin, Li	Male	2013.09.01	-	-	-	-	-	-	Associate Degree, Department of Architecture, Hwa Hsia Industrial and Commercial College	-	-	-	-	
Assistant Vice President	R.O.C.	Ju-Ping, Chang	Male	2018.08.16	-	-	3,000	-	-	-	Associate Degree, Department of Resource Conservation Technology, National Pingtung Polytechnic Institute	-	-	-	-	
Assistant Vice	R.O.C.	Wen-Yao, Liu	Male	2014.10.20	-	-	-	-	-	-	Master, Division of Construction Engineering and Management,	-	-	-	-	

Title	Nationality	Name	Gender	Office Assumption Date	Shareholding		Spouse & Minor Child(ren) Shareholding		Shareholding by Nominees		Major Experience (Education) (Note 1)	Other Position Concurrently Held in Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remarks (Note 2)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
President											Department of Civil Engineering, National Taiwan University					
Acting Assistant Vice President	R.O.C.	Ming-Chung, Lin	Male	2016.10.01	-	-	-	-	-	-	Bachelor, Department of Business Administration, Hsuan Chuang University	-	-	-	-	-
Assistant Vice President	R.O.C.	Chin-Chih, Hsu	Male	2016.12.01	-	-	-	-	-	-	Bachelor, Department of Civil Engineering, National Central University	-	-	-	-	-
Assistant Vice President	R.O.C.	Hsu-Yuan, Yeh	Male	2018.01.16	-	-	-	-	-	-	Master, Institute of Architecture, National Cheng Kung University	-	-	-	-	-
Assistant Vice President	R.O.C.	Chia-Hsing, Li	Male	2019.07.08	19,522	0.02%	1,205	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-
Acting Assistant Vice President	R.O.C.	Chun-Jen, Huang	Male	2020.06.01	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-
Assistant Vice President	R.O.C.	Wei-Wen, Chen	Male	2021.01.01	25,994	0.02%	1,100	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-
Assistant Vice President	R.O.C.	Hui-Guo, Hu	Male	2023.04.12	-	-	-	-	-	-	Department of Electrical Engineering, St. John's Technological University	-	-	-	-	-
Acting Assistant Vice President	R.O.C.	Ming-Hsiu, Li	Male	2021.01.18	-	-	-	-	-	-	Master, Department of Civil and Construction Engineering, National Taiwan University of Science and Technology	-	-	-	-	-
Acting Assistant Vice President	R.O.C.	Yu-Ta, Wang	Male	2022.04.01	-	-	-	-	-	-	Bachelor, Department of Civil Engineering, Tamkang University	-	-	-	-	-
Acting Assistant Vice President	R.O.C.	I-Lung, Shih	Male	2022.04.01	-	-	-	-	-	-	Department of Architecture, National United University	-	-	-	-	-
Acting Assistant Vice President	R.O.C.	Bo-Ming, Liu	Male	2022.10.01	-	-	-	-	-	-	Department of River and Ocean Engineering, National Taiwan Ocean University	-	-	-	-	-
Acting Assistant Vice President	R.O.C.	Zhi-Sheng, Lin	Male	2022.10.01	-	-	-	-	-	-	Department of Civil Engineering, National Central University	-	-	-	-	-
Accounting Manager	R.O.C.	Fang-Jia Chang	Female	2023.01.01	26,489	0.02%	50,200	0.04%	-	-	Department of Accounting, Tamkang University	-	-	-	-	-
Financial Manager	R.O.C.	Si-Fan, Pan	Female	2023.01.01	-	-	-	-	-	-	Institute of Finance and Finance, National Taiwan University of Science and Technology	-	-	-	-	-

- Note 1. None of the above persons has worked for the company's certified public accountants firm or affiliated companies during the period mentioned above in connection with his/her current position.
- Note 2. Where the Chairperson of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given for the reason, rationality, necessity, and the measures adopted in response thereto:(for example, increase the number of Independent Directors, and there be a majority of the members of the Board of Directors who are not employees or Managerial Officers, etc.).

(4) Remuneration Paid to Directors (Including Independent Directors), General Manager, and Assistant General Managers:

1. Remuneration Paid to Directors and Independent Directors:

Unit: NT\$thousand

Title	Name	Remuneration Paid to Directors								Ratio of Total Remuneration (A, B, C, D) to Net Income after Tax		Relevant Remuneration Received by Directors who Are Also Employees								Ratio of Total Remuneration of A, B, C, D, E, F, and G in Net Income after Tax		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company		
		Base Compensation (A)		Severance pay and pension (B)		Director Remuneration (C) (Note 1)		Business Execution Expenses (D) (Note 2)				Salary, Bonus, and Allowance (E)		Severance pay and pension (F) (Note 4)		Employee Compensation (G) (Note 3)								
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company		All Companies in the Financial Statements			The Company	All Companies in the Financial Statements
																		Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Director	Representative of Kindom Development Co., Ltd.: Ai-Wei, Yuan																							
	Representative of Kindom Development Co., Ltd.: Mike, Ma																							
	Representative of Kindom Development Co., Ltd.: Ching-Sung, Tseng	-	-	-	-	28,583 (Kindom Development Co., Ltd.)	28,583 (Kindom Development Co., Ltd.)	1,560	1,944	2.88%	2.91%	16,101	16,101	-	-	5,400	-	5,400	-	4.93%	4.96%	15,406		
	Representative of Kindom Development Co., Ltd.: Mei-Chu, Liu																							
	Representative of Kindom Development Co., Ltd.: Yi-Fang, Huang																							
	Representative of Kindom Development Co., Ltd.: Shih-Hsuan, Chou																							
Independent Director	Hung-Chin, Huang																							
	Shen-Yu, Kung	1,800	1,800	-	-	-	-	-	-	0.17%	0.17%	-	-	-	-	-	-	-	-	0.17%	0.17%	1,950		
	Kuo-Feng, Lin																							
<p>1. Please describe the policy, system, standards and structure of the remuneration packages of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment: According to the Company's Articles of Incorporation, independent directors receive monthly compensation and do not participate in the annual distribution of director remuneration.</p> <p>2. Unless disclosed in the above table, remuneration received in the most recent fiscal year by the Directors for providing services (e.g. serving as a non-employee consultant) to the companies in the consolidated financial statements: None.</p>																								

Table of Remuneration Ranges

Range of Remuneration Paid to the Company's Directors	Name of Director			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	The Company	Companies in the Financial Statements (H)	The Company	Companies in the Financial Statements (I)
Less than NT\$1,000,000	Chih-Kang Ma, Ching-Sung Tseng, Yi-Fang Huang, Ai-Wei Yuan, Shih-Hsuan Chou, Mei-Chu Liu, Hung-Chin Huang, Shen-Yu Kung, Kuo-Feng Lin	Chih-Kang Ma, Ching-Sung Tseng, Yi-Fang Huang, Ai-Wei Yuan, Shih-Hsuan Chou, Mei-Chu Liu, Hung-Chin Huang, Shen-Yu Kung, Kuo-Feng Lin	Mike Ma, Ching-Sung Tseng, Mei-Chu Liu, Shen-Yu Kung, Hung-Chin Huang, Kuo-Feng Lin,	Mike Ma, Ching-Sung Tseng, Mei-Chu Liu, Shen-Yu Kung, Hung-Chin Huang, Kuo-Feng Lin
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	-	-	Ai-Wei Yuan, Yi-Fang Huang, Shih-Hsuan Chou	Ai-Wei Yuan, Yi-Fang Huang, Shih-Hsuan Chou
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	Kindom Development Co., Ltd.	Kindom Development Co., Ltd.	Kindom Development Co., Ltd.	Kindom Development Co., Ltd.
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	Corporate Shareholders(s): 1 Representative(s) of Juristic Person: 6 Number of Natural Person(s): 2	Corporate Shareholders(s): 1 Representative(s) of Juristic Person: 6 Number of Natural Person(s): 2	Corporate Shareholders(s): 1 Representative(s) of Juristic Person: 6 Number of Natural Person(s): 2	Corporate Shareholders(s): 1 Representative(s) of Juristic Person: 6 Number of Natural Person(s): 2

Note 1. Directors' remuneration for 2022 was passed by the Board of Directors on March 14, 2023.

Note 2. Include the depreciation of vehicles and the fuel costs of the non-Independent Director who is also concurrently be a Manager.

Note 3. The amount of employees' remuneration for 2022 passed by the Board of Directors on March 14, 2023 expected to be distributed to the Director concurrently serve as a Manager.

Note 4. It does not include the provision for retirement allowance as provided for in accordance with the law of NT\$216 thousand.

\* The content of remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. Therefore, this table is for information disclosure purposes, instead of taxation.

2. Scale of remuneration: President and VP:

Unit: NT\$thousand

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C) (Note 1)		Employee Compensation (D) (Note 2)				Ratio of Total Remuneration (A+B+C+D) to Net Income after Tax (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company (Note 3)
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company		All Companies in the Financial Statements		The Company	All Companies in the Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager	Yi-Fang, Huang	8,283	8,283	-	-	6,124	6,676	10,500	-	10,500	-	2.38%	2.43%	None
General Manager	Shih-Hsuan, Chou													
Senior Assistant General Manager	Chin-Hua, Fan													
Assistant General Managers	Chun-Ming, Chen													

\* Regardless of title, any position equivalent to General Manager, Assistant General Manager (e.g., General Manager, CEO, Director, etc.) shall be disclosed.

Table of Remuneration Ranges

Range of Remuneration Paid to the Company's General Manager and Deputy General Managers	Name of General Manager and Deputy General Manager	
	The Company	All Companies in the Financial Statements
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	Chin-Hua, Fan	Chin-Hua, Fan
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Yi-Fang Huang, Shih-Hsuan Chou, Chun-Ming Chen	Yi-Fang Huang, Shih-Hsuan Chou, Chun-Ming Chen
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	4 persons	4 persons

Note 1. Include the depreciation of vehicles and the fuel costs.

Note 2. The amount of employees' remuneration for 2022 adopted by the Board of Directors on March 14, 2023 expected to be distributed to the Director concurrently serve as a Manager.

Note 3. Remuneration refers to compensation, reward (including remuneration for employees, Directors and Supervisors), allowances and other related remuneration received by the company's General Manager and Assistant General Manager for being a Director, Supervisor, or Managerial Officer of investment companies other than subsidiaries of the company or the parent company.

\* The content of remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. Therefore, this table is for information disclosure purposes, instead of taxation.



### 3. Managerial Officer's Name and the Distribution of Employee Bonus:

April 4, 2023; Unit: NT\$ thousand

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income after Tax (%)
Managerial Officer	General Manager	Shih-Hsuan, Chou	-	22,090	22,090	2.11%
	General Manager	Yi-Fang, Huang				
	Senior Assistant General Manager	Chin-Hua, Fan				
	Assistant General Managers	Chun-Ming, Chen				
	Senior Assistant Vice President Financial Officer and Corporate Governance Officer	Li-Ya, Chen				
	Assistant Vice President	Chao-Ming, Chen				
	Senior Assistant Vice President	Wen-Hsiung, Chou				
	Senior Assistant Vice President	Chih-Kuo, Tseng				
	Senior Assistant Vice President	Hsien-Chin, Chiu				
	Senior Assistant Vice President	Chun-Cheng, Liang				
	Assistant Vice President	Chung-Te, Hsiao				
	Assistant Vice President	Wen-Yen, Lin				
	Assistant Vice President	Wen-Chin, Li				
	Assistant Vice President	Ju-Ping, Chang				
	Assistant Vice President	Wen-Yao, Liu				
	Assistant Vice President	Chin-Chih, Hsu				
	Assistant Vice President	Hsu-Yuan, Yeh				
	Assistant Vice President	Chia-Hsing, Li				
	Assistant Vice President	Wei-Wen, Chen				
	Acting Assistant Vice President	Ming-Chung, Lin				
	Acting Assistant Vice President	Chun-Jen, Huang				
	Acting Assistant Vice President	Bai-Ming Liu Mu				
	Acting Assistant Vice President	Chih-Shen Lin				
	Acting Assistant Vice President	Ming-Hsiu, Li				
Acting Assistant Vice President	Yu-Ta, Wang					
Acting Assistant Vice President	I-Lung, Shih					

Note 1. The amount of employees' remuneration for 2022 passed by the Board of Directors on March 14, 2023 expected to be distributed to the Managers.

Note 2. This table disclosed the names of Managers who are eligible for receiving employee bonus and the distribution status. The actual distribution objects and payment amount shall be subject to the Manager who is still in-service at the time of payment.

4. Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the company and by each other company included in the consolidated financial statements during the past 2 fiscal years to Directors, Supervisors, General Managers, and Assistant General Managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

Unit: NT\$thousand

Title	Ratio of Total Remuneration to Net Income After Tax			
	2022		2021	
	The Company	All Companies Included in the Consolidated Financial Statements	The Company	All Companies Included in the Consolidated Financial Statements
Director	53,444 5.10%	53,828 5.14%	42,873 5.79%	43,257 5.84%
Supervisor	- -	- -	- -	- -
General Manager and Assistant General Manager	24,907 2.38%	25,459 2.43%	52,252 7.06%	52,809 7.13%
Total	78,351 7.48%	79,287 7.57%	95,125 12.85%	96,066 12.97%

- (1) The Company and all companies included in the consolidated financial statements paid directors (including independent directors) and supervisors a total of NT\$53,444 thousand and NT\$53,828 thousand respectively in the 2022 fiscal year, representing increases of NT\$10,571 thousand and NT\$10,571 thousand, respectively, from the previous year. The director and supervisor remuneration for 2022 accounted for 5.10% and 5.14%, respectively, of the after-tax net income, a decrease of 0.69% and 0.70%, respectively, from the previous year. This was mainly due to the increase in profits in the 2022 fiscal year compared to the previous year, resulting in proportional growth in remuneration for directors and employees. However, the percentage of remuneration relative to after-tax net income decreased, which is reasonable considering the circumstances. In addition, the Company established the Audit Committee to replace the supervisors on June 15, 2020. The term of the supervisors expired, therefore, there was no supervisor remuneration in this period.
- (2) The Company and all companies included in the consolidated financial statements paid the General Manager and Deputy General Manager a total of NT\$24,907 thousand and NT\$25,459 thousand, respectively, in the 2022 fiscal year. This represents decreases of NT\$27,345 thousand and NT\$27,350 thousand, respectively, from the previous year. The remuneration for 2022 accounted for 2.38% and 2.43%, respectively, of the after-tax net income, a decrease of 4.68% and 4.70%, respectively, from the previous year. This is mainly due to the resignation of the former General Manager in the 2021 fiscal year, resulting in a decrease in compensation in the 2022 fiscal year compared to the previous year. The change is reasonable.

- (3) Following the above, for the remuneration paid to Directors, Supervisors, General Manager and Assistant General Manager in 2022 by the company and companies in the consolidated financial statements, the proportion of total remuneration in net profit after tax decreased from 12.97% in 2021 to 7.57%, which is considered reasonable.
- (4) Description of the policy, standard and combination of remuneration, and the procedures for stipulating remuneration:

The Company's remuneration policy for directors and senior managers is based on the salary level of comparable positions in the industry, as well as the individual's scope of responsibility within the Company, time commitment, personal goal achievement, and contribution to the Company's operational performance. Remuneration is given based on the Company's overall operational performance, future business risks, individual performance evaluations, and individual contributions to the Company's performance.

- For director (including independent director) remuneration, the Board of Directors is authorized to determine compensation based on the director's (including independent director's) level of participation in the company's operations and their contribution value, with reference to the common compensation levels in the industry according to Article 18 of the Articles of Incorporation.
- The remuneration for the General Manager and Deputy General Manager is determined by the Chairperson according to the employee salary level chart and business performance bonus plan according to Article 21 of the Company's Articles of Incorporation. This includes the remuneration for the Managers, General Manager, Deputy General Manager, and Assistant Manager. The remuneration is reported to the Remuneration Committee for approval in accordance with the Company Act and the Securities and Exchange Act, and is then approved by the Board of Directors.

The policies, standards, and packages of the total remuneration as paid by the Company and by the other companies included in the consolidated financial statements in 2022 to Directors, Supervisors, General Manager, and Assistant General Managers, and the procedure for determining remuneration, are comparable to that in 2021.

- (5) The linkage to operating performance and future risk exposure:
- The remuneration for directors in 2022 and the business execution expenses for non-independent directors were approved by the Board of Directors. The remuneration for independent directors and business execution expenses for non-independent directors were mainly determined based on the usual remuneration levels of other listed companies, rather than the Company's industry characteristics and profit level. However, it is still considered reasonable.

- The remuneration for directors in 2022 was determined in accordance with Article 22 of the Company's Articles of Incorporation. The proposal was put forward by the Remuneration Committee at the meeting held on March 14, 2023, and was approved by the Board of Directors. The total remuneration for directors was NT\$28,583 thousand, accounting for approximately 2.73% of the profits earned in 2022. The remuneration was mainly linked to the Company's profitability and business performance. Independent directors receive monthly remuneration and do not participate in the annual distribution of director's remuneration. The non-independent directors who are representatives of institutional directors did not receive director remuneration.
- In accordance with Article 21 of the Company's Articles of Incorporation, the remuneration for managers, including the General Manager, Deputy General Managers, and other managers, is determined by the Board of Directors. The bonuses for senior management is evaluated based on key performance indicators (KPI) at the end of each year. The evaluation criteria for key performance indicators include, but are not limited to, new contract volume, project input achievement rate, gross profit rate target achievement rate, EPS, etc. In addition, future industry risks and development trends, as well as the company's short-, medium-, and long-term plans and execution status, are also taken into account in determining the bonuses to ensure a balance between sustainable business and risk management.
- In the future, we will strengthen the long-term performance-based bonus mechanisms to link the senior management's bonuses with the company's medium-to-long-term operational performance. This will enhance employees' engagement and sense of belonging, as well as promote the sharing of the Company's business results.

### (III) Operating Status of Corporate Governance:

#### (1) The State of Operations of the Board of Directors:

A total of 6 meetings (A) of the Company's 11th Audit Committee have been held in 2022, with the attendance shown as follows:

Title	Name (Note 1)	Attendance in person (B)	Attendance by Proxy	Rate of Actual Attendance (or of Attendance as a Non-voting Participant) (%) [B/A] (Note 2)	Remark
Chairman	Kindom Development Co., Ltd. Representative: Ai-Wei, Yuan	6	0	100.00%	Should attend 6 times
Director	Kindom Development Co., Ltd. Representative: Mike, Ma	6	0	100.00%	As above
Director	Kindom Development Co., Ltd. Representative: Ching-Sung, Tseng	6	0	100.00%	As above
Director	Kindom Development Co., Ltd. Representative: Mei-Chu, Liu	1	5	16.67%	As above
Director	Kindom Development Co., Ltd. Representative: Yi-Fang, Huang	6	0	100.00%	As above
Director	Kindom Development Co., Ltd. Representative: Shih-Hsuan, Chou	6	0	100.00%	As above
Independent Director	Hung-Chin, Huang	6	0	100.00%	As above

Title	Name (Note 1)	Attendance in person (B)	Attendance by Proxy	Rate of Actual Attendance (or of Attendance as a Non-voting Participant) (%) [B/A] (Note 2)	Remark
Independent Director	Shen-Yu, Kung	6	0	100.00%	As above
Independent Director	Kuo-Feng, Lin	6	0	100.00%	As above
Other matters that shall be reported:					
(I) Where one of the following circumstances apply for the operations of the Board of Director meetings, the date, session, proposal contents, opinions of all Independent Directors, and the Company's actions in response to the opinions of the Independent Directors shall be stated:					
1. Matters listed in Article 14-3 of the Securities and Exchange Act: None.					
2. (II) Except for the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None					
(II) Where a Director recuses himself or herself from a proposal in which he/she has a personal interest, the name of the Director, the content of proposal, the reason for recusal, and the results of the voting should be stated:					
1. On December 23, 2022, the 21st Meeting of the 11th Term of the Board of Directors discussed the proposal on the year-end bonuses approved by the Remuneration Committee in accordance with the Company's "Employee Evaluation Measures". Chairman Ai-Wei, Yuan, Director Yi-Fang, Huang, and Director Shih-Hsuan, Chou are interested parties, and, therefore, they recused themselves from the discussion and the voting on the proposal. Director Shen-Yu, Kung was appointed by the Chairman to preside over the meeting temporarily, and the proposal was adopted with the consent of the other directors present.					
2. On December 23, 2022, the 21st Meeting of the 11th Session of the Board of Directors discussed the retirement of the Company's General Manager, Shih-Hsuan Chou. Director Shih-Hsuan Chou is an interested party, and, therefore, he recused himself from the discussion and the voting on the proposal, and the proposal was adopted by the other directors present without objection.					
3. The proposal for donation to Kindom Yu San Education Foundation was discussed at the 21st Session of the 11th Board of Directors' meeting held on December 23, 2022. Directors Mike, Ma and Ching-Sung, Tseng concurrently serve as the directors of the Foundation, and Director Mei-Chu, Liu is a relative within the first degree of kinship of Director Mike, and, therefore, they recused themselves from the discussion and the voting on the proposal, and the proposal was adopted with the consent of the other directors present without objection.					
(III) Implementation of the Board of Directors' Performance Evaluation:					
Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Contents	
Conducted once a year	2022/01/01~12/31	Entire Board of Directors	The "Board of Directors Performance Self-evaluation Questionnaire" is reviewed by the Company's internal unit and by an external professional institution or expert team at least once every 3 years.	The evaluation items include: The six major aspects of participation in the Company's operations, improving the quality of board decisions, the composition and structure of the Board, the selection and continuing education of directors, and internal controls. There are a total of 45 evaluation indicators.	
	2022/01/01~12/31	Individual board members	"Board Member Performance Self-evaluation Questionnaire" for individual board member self-evaluations	The evaluation items include: The individual's focus on the six major aspects of the Company's goals and tasks, awareness of directors' responsibilities, participation in company operations, internal relationship management and communication, directors' professional and continuous education, and internal control. There are a total of 23 evaluation indicators.	

Title	Name (Note 1)		Attendance in person (B)	Attendance by Proxy	Rate of Actual Attendance (or of Attendance as a Non-voting Participant) (%) [B/A] (Note 2)	Remark
	2022/01/01~12/31	Functional committees (Audit Committee and Remuneration Committee)				The evaluation items include: Degree of participation in the operations of the Company, recognition of the duties of functional committees, improvement in the quality of decision-making of functional committees, composition and election of members of functional committees, and internal controls.

(IV) An Evaluation of Targets (e.g. the Establishment of an Audit Committee and the Improvement of Information Transparency, etc.) for Strengthening of the Functions of the Board of Directors during the Current and Immediately Preceding Fiscal Years, and Measures Taken Toward Achievement thereof:

1. Carried out the following targets to strengthen the functions of the Board of Directors:  
The Board of Directors shall notify the directors and supervisors of the contents of the proposal prior to the meeting, and shall take into full consideration the opinions of the directors when discussing the proposal. The proceedings shall be distributed to the directors and supervisors within five days after the meeting. Good results have been achieved.
2. At the end of each year, according to the Measures on Board Performance Evaluation amended on November 9, 2022, the evaluation shall be conducted at least once for the overall operation state of the Board of Directors, the performance of individual Directors and the performance evaluation of the functional committees. An evaluation shall be conducted by an external professional institution or expert team at least once every 3 years. The results of the Board of Directors' performance evaluation in 2022 were good, and they were reported to the Board of Directors and disclosed on the Company's website on March 14, 2023.

Note 1. Where a Director or Supervisor is a juristic person, the name of the juristic person shareholder and the name of its representative shall be disclosed.

Note 2.

- (1) Where Directors or Supervisors resign before the end of the year, the date of resignation shall be indicated in the Remarks column. Rate of actual attendance (or of attendance as a non-voting participant) (%) shall be calculated by the number of board meetings convened and times of actual attendance (or of attendance as a non-voting participant) during the term of service.
- (2) If any Director or Supervisor is re-elected before the end of the year, the new or former Directors and Supervisors shall be listed. Indicate in the Remarks column that whether the Director or Supervisor is former, new or re-elected, and the date of re-election. Rate of actual attendance (or of attendance as a non-voting participant) (%) shall be calculated by the number of board meetings convened and times of actual attendance (or of attendance as a non-voting participant) during the term of service.

(2) Operation of the Audit Committee:

A total of 5 meetings (A) of the Company's 1st Audit Committee have been held in 2022, with the attendance shown as follows:

Title	Name (Note 1)	Attendance in person (B)	Attendance by Proxy	Rate of Actual Attendance (or of Attendance as a Non-voting Participant) (%) [B/A] (Note 2)	Remark
Independent Director	Hung-Chin, Huang	5	0	100.00%	Should attend 5 times
Independent Director	Shen-Yu, Kung	5	0	100.00%	As above
Independent Director	Kuo-Feng, Lin	5	0	100.00%	As above

Other matters that shall be reported:

- (I) The Company's Audit Committee aims to assist the Board of Directors in supervising the Company's quality and credibility in the implementation of related accounting and financial reporting process and financial control, as well as internal controls, legal compliance, audits, and the management of potential risks.
- (II) The 11th Board of Directors elected Independent Director Hung-Chin Huang as the convener of the Audit Committee. The operations of the committee follow the guidelines and regulations stipulated by the Company Act, Securities and Exchange Act, and other regulatory agencies. The company also has internal regulations for the organization of the Audit Committee, and the main items reviewed by the committee include:
1. The proper presentation of the company's financial statements and the effective implementation of accounting policies and procedures.
  2. Improving and revising internal controls, internal audits, and related policies and procedures, as well as effectively implementing them.
  3. Enhancement, revision, and effective implementation of the processing procedures for significant asset or derivative trading.
  4. Enhancement, revision, and effective implementation of procedures for handling significant fund loans, endorsements, and guarantees.
  5. The offering, issuance, or private placement of any equity-type securities.
  6. Compliance with the relevant laws and regulations related to the Company's target business and operations.
  7. Matters concerning the personal interests of Directors.
  8. Reports and complaints related to ethical management.
  9. Information security policies and procedures, fraud prevention plans, and project reports.
  10. The management of the Company's existing and potential risks.
  11. Appointment, dismissal, independence, and performance of certifying CPAs
  12. Appointment or discharge of a finance manager, accounting manager or chief internal auditor.
- (III) With regard to the operation of the Audit Committee, if any of the following circumstances occurs, the Audit Committee's meeting date and session, contents of proposals, contents of Independent Directors' dissenting or qualified opinions or significant suggestions, Audit Committee's resolutions, and the Company's response to Audit Committee's opinions shall be specified.
- (1) Items listed in Article 14-5 of the Securities and Exchange Act.
  - (2) Other matters not approved by the Audit Committee but approved by two-thirds or more of all directors: None.

Audit Committee Meeting Date & Session	Contents of Proposal	Contents of Independent Directors' dissenting or qualified opinions or significant suggestions	Audit Committee's Resolution	The Company's response to Audit Committee's Opinions

<p>1st term The 11th session of the 11th meeting 2022.03.25</p>	<ol style="list-style-type: none"> <li>1. The Company will win the bid granted by Taiwan Semiconductor Manufacturing Co., Ltd.</li> <li>2. The Company's 2021 Statement of Internal Control System.</li> <li>3. The Company's 2021 Business Report and Financial Statements.</li> <li>4. The Company's 110 earnings distribution.</li> <li>5. The Company withdrew NT\$106,035,660 of shareholders' bonus from the distributable earning of 2021 for capital increase from retained earnings and issued 10,603,566 ordinary shares.</li> <li>6. Amendment to the partial provisions of the "Rules for Acquisition or Disposal of Assets" and the "Corporate Social Responsibility Best Practice Principles".</li> <li>7. Amendment to the partial provisions of the Company's "Articles of Incorporation".</li> <li>8. Amendment to the partial provisions of the Company's Corporate Governance Best-Practice Principles, and Standard Procedures for Handling Director's Requirements.</li> <li>9. Proposal to change CPAs to cooperate with the rotation of the internal audit staff of KPMG in Taiwan.</li> <li>10. Evaluated the independence and suitability of CPAs appointed by the company.</li> </ol>	<p>None</p>	<p>Approved by all members present at the meeting</p>	<p>Approved by all directors present at the meeting</p>
<p>1st term The 12th session of the 11th meeting 2022.05.06</p>	<p>The Company's first quarter consolidated financial statements for 2022.</p>	<p>None</p>	<p>Approved by all members present at the meeting</p>	<p>Approved by all directors present at the meeting</p>
<p>1st term 13th meeting 2022.08.05</p>	<ol style="list-style-type: none"> <li>1. The Company's second quarter consolidated financial statements for 111.</li> <li>2. Amendment to the partial provisions of the Company's "Rules and Procedures of Board of Directors Meeting".</li> <li>3. The adjustment of the Company's chief internal auditor and personnel.</li> </ol>	<p>None</p>	<p>Approved by all members present at the meeting</p>	<p>Approved by all directors present at the meeting</p>
<p>1st term 14th meeting 2022.11.09</p>	<ol style="list-style-type: none"> <li>1. The Company's third quarter consolidated financial statements for 111.</li> <li>2. Amendment to the system handbook and part of the procedures of the Company's Internal Control System.</li> <li>3. Stipulate the Company's "Risk Management Policies and Measures".</li> <li>4. Amendment to the partial provisions of the Company's "Rules and Procedures of Board of Directors Meeting".</li> </ol>	<p>None</p>	<p>Approved by all members present at the meeting</p>	<p>Approved by all directors present at the meeting</p>
<p>1st term 15th meeting 2022.12.23</p>	<ol style="list-style-type: none"> <li>1. Stipulate the Company's 2023 audit plan.</li> <li>2. Evaluated the independence and suitability of CPAs appointed by the company.</li> <li>3. It is proposed to establish general principles for the Company's pre-approval policy on non-assurance services.</li> <li>4. Amendment to the partial provisions of the Company's "Procedures for Handling Material Inside Information".</li> <li>5. The Company's appointment of the accounting supervisor and financial supervisor.</li> </ol>	<p>None</p>	<p>Approved by all members present at the meeting</p>	<p>Approved by all directors present at the meeting</p>



(IV) Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of motions, reasons for recusal, and the results of the voting shall be specified: None.

(V) Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and the results of the audit of finances and operations)

(1) The independent directors of the Company have direct communication channels with the internal audit supervisor and CPA. In accordance with the regulations of the competent authority, they conduct regular audits of the Company's financial and business conditions, and communicate directly with the management and governance units.

1. The internal audit supervisor of the Company regularly presents internal audit reports at each quarterly Audit Committee meeting, fully communicating the execution of audit tasks, tracking improvement of deficiencies, and the effectiveness of such efforts. In addition to providing written audit reports to independent directors on a monthly basis, the internal audit supervisor also provides separate project reports on a case-by-case basis based on the suggestions of each independent director.

2. The Company's certifying CPAs will report to the independent directors on key audit matters, financial condition, and audit results for the Company and its subsidiaries before and after the annual financial report audit work at the Audit Committee meeting or other meetings. They will also communicate the significant adjustments, regulatory revisions, internal control recommendations, etc.

(2) The communication between independent directors and internal auditors was good. The main items for communication in 2022 are as follows:

Date	Matters for communication	Suggestions and Results
2022/03/25 11th meeting of the 1st Committee Audit Committee	1. Audit report for October 2021 to February 2022. 2. Submitted the 2021 Statement on Internal Control.	After being reported to the Audit Committee and approved by the Board of Directors without objection, it was uploaded and published in the 2021 annual report.
2022/05/06 12th meeting of the 1st Committee Audit Committee	Audit report March 1 11	It has been submitted to the Audit Committee and Board of Directors. There were no objections among the independent directors.
2022/08/05 13th meeting of the 1st Committee Audit Committee	Audit report for April to June 2022	It has been submitted to the Audit Committee and Board of Directors. There were no objections among the independent directors.
2022/11/09 14th meeting of the 1st Committee Audit Committee	Audit report for July to September 2022.	It has been submitted to the Audit Committee and Board of Directors. There were no objections among the independent directors.
2022/12/23 Communication and discussion meeting for key pre-audit items in the 2022 Q4 financial statements	1. Discussion of key audit items in the 2022 financial statements. 2. Communication meetings between independent directors and audit supervisors and CPAs.	No objections among the independent directors.
2022/12/23 15th meeting of the 1st Committee Audit Committee	2023 Internal Audit Plan.	It has been submitted to the Audit Committee and Board of Directors. There were no objections among the independent directors.

(3) The communication between independent directors and CPAs was good. The main items for communication in 2022 are as follows:

Audit Committee/Meeting	Matters for communication	Communication Results
2022/03/25 11th meeting of the 1st Committee Audit Committee	Explanation of the 2021 financial statements and consolidated financial statements.	Passed without objection after the chairperson consulted all attending members and resolution by the Board of Directors.
2022/12/23 Communication and discussion meeting for key pre-audit items in the 2022 Q4 financial statements	Discussion of key audit items in the 2022 financial statements.	No objections among the independent directors.
2023/03/14 16th meeting of the 1st Committee Audit Committee	Explanation of the 2022 financial statements and consolidated financial statements.	Passed without objection after the chairperson consulted all attending members and resolution by the Board of Directors.

Note:

- (1) If an independent director resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of Audit Committee meetings held during his or her tenure and the number of such meetings attended.
- (2) If any independent director is re-elected before the end of the accounting year, the names of current and previous independent directors shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of Audit Committee meetings held during his or her tenure and the number of such meetings attended.

(3) Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
(I) I. Does the company formulate and disclose its Corporate Governance Practice Principles according to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company and its subsidiaries (hereinafter also referred to as "merged company") formulated their Corporate Social Responsibility Best Practice Principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and disclosed them on the Company's website and the Market Observation Post System (MOPS). The merged company shall, at all times, pay attention to the development of corporate social responsibility system and the change of business environment at home and abroad, so as to improve the corporate social responsibility system, review the implementation of corporate social responsibility, and enhance the efficiency of the implementation of the corporate social responsibility policy.	No deviation
(II) Shareholding structure & shareholders' equity				
(1) Has the Company formulated internal operating procedures to handle shareholder proposals, inquiries, disputes and litigation matters, and does it implement these in accordance with its procedures?	✓		(1) The merged company has designated a management unit of shareholder services in the Finance Division and a special section for shareholders on the Company's website to accept proposals and inquiries from shareholders, and handle disputes. There is no litigation matter with shareholders.	No deviation
(2) Does the company possess a list of its major shareholders with actual controlling power over the company as well as the ultimate owners of those major shareholders?	✓		(2) The merged company keeps a close relation with its major shareholders, and master at all times the shareholding status of major shareholders and of the persons with ultimate control over those major shareholders, through the register of shareholders provided by the stock agent.	No deviation
(3) Does the company establish and execute a risk	✓		(3) The merged company is operationally and financially	No deviation

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
control and firewall system within its affiliates?  (4) Has the company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		independent of its affiliated enterprises, and has formulated the "Management Procedures for Related Party Transactions", "Management Procedures for Supervision of Subsidiaries", "Operational Procedures for Loaning Funds to Others", "Operational Procedures for Endorsements and Guarantees", "Handling Procedures for Acquisition or Disposal of Real Estate, Equipment or its Right-of-use assets", and other procedures, and established the risk control and firewall system between it and its affiliated enterprises.  (4) The merged company specified in the "Procedures for Handling Material Inside Information" that insiders are prohibited from trading securities using information not disclosed to the market, and regularly carries out education and promotion for insiders and reminds insiders of the procedures regularly.	No deviation
(III) Composition and Duties of the Board of Directors (1) Are diversity policy and specific management targets established and implemented for the members of Board of Directors?	✓		(1) It is stipulated in Article 20 of the "Corporate Governance Practice Principles" of the merged company that the composition of the Board of Directors shall be determined by taking diversity into consideration. The current Board of Directors of the Company consists of 9 Directors, including 6 Directors and 3 Independent Directors, who have rich experience and education in the fields of finance and accounting, business and management. In addition, the Company also focuses on gender equality in the composition of the Board of Directors. Currently, among the 9 Directors, there is 1 female Director, that is a ratio of 11%. The Company will continue to strengthen the goal of achieving a female director ratio of 25% or more.	No deviation

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
(2) In addition to the Remuneration Committee and Audit Committee established according to law, is the company willing to set up other functional committees?	✓		(2) In addition to establishing a Remuneration Committee and Audit Committee, the company has established a Sustainable Development Committee and adopted the "Sustainable Development Committee Charter" on July 15, 2022, with 4 committee members and 1 executive secretary. The committee consists of five working groups, including the Green and Low Carbon Group, Sustainable Supply Chain Group, Innovative Service Group, Employee Well-being and Social Inclusion Group, and Corporate Governance Group, each responsible for promoting and implementing various sustainable development action plans.	No deviation
(3) Does the company establish rules and methods for evaluation on the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluation to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	✓		(3) The Company has resolved the amendment to the Measures on Board Performance Evaluation amended at the board meeting on November 9, 2022. The evaluation indicators are based on the operation and requirements. The evaluation shall be conducted at least once for the overall operation state of the Board of Directors, the performance of individual Directors and the performance evaluation of the functional committees. An evaluation shall be conducted by an external professional institution or expert team at least once every 3 years. The results of performance evaluations shall be reported to the Board of Directors. The results of the 2022 evaluation on the Board of Directors' performance have been reported at the Board of Directors' meeting on March 14, 2023. The operation of the merged company's Board of Directors was good. Please refer to Note 1 for details of the relevant evaluation results.	No deviation
(4) Does the company regularly evaluate the	✓		(4) In order to implement corporate governance, the Finance	No deviation

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
independence of its CPAs?			Division of the Company regularly evaluates the independence and suitability of the CPAs based on the Independence and Suitability Evaluation Form for the Financial Reports' CPAs and prepares a written record, summarizes the evaluation results and submits to the Board of Directors upon the approval by the responsible officer every year. The Company has reported CPA's Independence and Competence Evaluation Form at the Audit Committee's meeting and the Board of Directors' meeting on March 25, 2022. Please refer to Note 2 for the results of the independence evaluation made in 2022. Upon evaluation, the CPAs appointed by the company meet the evaluation standard, including : (1) do not have any direct or indirect financial interest or kinship relationship with the company or its Directors; (2) comply with the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 on independence. The quality and timeliness of services from the CPAs such as auditing and taxation are in line with the standards, and they are of substantial independence and suitability, thus are qualified as CPAs of the Company.	
(IV) Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and appoint a corporate governance supervisor to be responsible for corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding	✓		(1) The Company passed the resolution of the Remuneration Committee on December 20, 2022 and the resolution of the Board of Directors on December 23, 2022, and appointed Assistant General Manager Li-Ya Chen as the corporate governance officer, who possesses over 3 years of experience in the management of listed companies. In addition, the Company has designated one dedicated staff member for stock affairs and 1-2 assisting personnel to	No deviation

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
directors and supervisors in complying with the laws, organizing board meetings and annual general meetings as required by law, and compiling minutes of board meetings and annual general meetings)?			<p>coordinate and execute corporate governance-related matters in collaboration with the governance supervisor.</p> <p>(2) The corporate governance affairs include conducting Board of Directors meeting and shareholder meeting related matters in accordance with law, preparing minutes of Board of Directors meetings and shareholder meetings, assisting directors in continuing education, providing information necessary for directors to perform their duties, assisting directors to comply with laws and regulations, ensure shareholders' rights and interests, and strengthen the functions of the Board of Directors. Information related to corporate governance, stakeholders, and corporate social responsibility should be disclosed on the Company's website.</p> <p>(3) The major points for annual implementation of corporate governance-related business and the continuing education of corporate governance officer are disclosed on the Company's website, please refer to <a href="https://www.kedge.com.tw/investors">https://www.kedge.com.tw/investors</a> and stakeholders section/ corporate governance officer/.</p>	
(V) Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, suppliers, etc.), and properly respond to corporate social responsibility issues that stakeholders are concerned about?	✓		The merged company has spokespersons and unit for shareholder services management which are "responsible for communication" and established dedicated sections for "corporate social responsibility" and stakeholders on the Company's website to appropriately respond to interested parties concerning important corporate social responsibility issues.	No deviation
(VI) VI. Has the company engaged a professional shareholder services agent to handle shareholders meeting matters?	✓		The Company engages the CTBC Bank Transfer Agency to handle the related matters of the shareholders meeting and implements according to law.	No deviation

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
(VII) VII. Information Disclosure				
(1) Does the company have a website to disclose its financial, business and corporate governance information?	✓		(1) The merged company has set up a website in accordance with the regulations to disclose information on financial, business,, and corporate governance, and regularly updated and maintained it.	No deviation
(2) Does the company have other information disclosure channels (e.g., establishing an English website, appointing designated persons to be responsible for collection and disclosure of the Company's information, creating a spokesman system, and making the process of investor conferences available on the company's website)?	✓		(2) The merged company discloses the Company information on the Market Observation Post System in accordance with the regulations, appoints a dedicated person to be responsible for the collection and disclosure of the Company information, and implements the spokesperson system to make a prompt statement to the public.	No deviation
(3) Does the company publish and file its annual financial reports within two months after the end of a fiscal year and publish and file its Q1, Q2 and Q3 financial reports and its operating status of each month ahead of the stipulated deadline?	✓		(3) The merged company published and reported its financial reports for 2021 year and for the first, second and third quarters of 2022, as well as its operating status for each month of 2022, before the specified deadline.	No deviation
(VIII) VIII. Does the Company have any other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, rights and interests of stakeholders, continuing education of Directors and Supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, taking	✓		(1) Employee rights, employee care, investor relations, supplier relations and rights of stakeholders, : Please refer to the description of Disbursements for Environmental Protection, Labor Relations and Supplier Information in Chapter 5 Operations Overview of the Annual Report. (2) Relation with investors: The merged company has set up a website in accordance with the regulations to disclose information on financial, business and corporate governance and regularly update it for investors' reference.	No deviation



Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
out liability insurance for the Company's Directors and Supervisors)?			<p>(3) Continuing education of Directors: The merged company has regularly disclosed the information on the continuing education of Directors and their attendance at the Board of Directors' meetings on the Market Observation Post System.</p> <p>(4) Implementation of risk management policies and risk measurement standards: Please refer to the description of "Chapter 7 Review and Analysis on the Company's Financial Position and Financial Performance, and Risks of the Annual Report".</p> <p>(5) Implementation of customer policies: The Operations Planning Division of the merged company has set a Sales and Service Group to serve customers</p> <p>(6) and maintain a stable and good relationship.</p> <p>(7) the Company takes out liability insurance for its Directors and Supervisors: The merged company has taken out the "liability insurance for its Directors and Managerial Officers" on June 10, 2022, and has reported the insured amount, coverage, premium rate, and other major contents of the liability insurance at the Board of Directors on July 15, 2022.</p>	
(IX) Please specify the measures adopted by the company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved:				

Evaluation Item		Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
		Yes	No	Description	
Item No.	Evaluation Indicator	Whether has been improved	Description		
1.6	Is the Company convening a General Shareholders' Meeting before the end of May?	No	It is under planning by the Company.		
2.7	Does the number of independent directors in the Company meet at least one-third of the total number of directors? (If the number of independent directors in the company meets at least half of the total number of directors, one additional point will be added to the total score.)	Yes	Among the 9 directors of the Company's Board of Directors, 3 are independent directors.		
2.9	Has the company established a succession plan for the board members and important management personnel and disclosed its implementation on the Company's website or Annual Report?	No	It is under planning by the Company.		
2.14	Has the Company established any functional committee other than statutory ones, such as a Nomination Committee, Risk Management Committee, or Sustainable Development Committee, which is composed of no less than three members, over half of whom are independent directors and at least one of whom has the professional abilities required for such committee, and does the Company disclose the committee's composition, duties and operation status?	Yes	On July 15, 2022, the Company's Board of Directors approved the establishment of the Sustainable Development Committee and disclosed related information about the committee on the Company's official website.		
2.22	Does the Company formulate risk management policies and procedures approved by the Board, which disclose the scope, the organizational structure, and the operations of risk management, and are the policies and procedures reported to the Board of Directors at least once a year?	Yes	The Company approved the Risk Management Policy and Procedures on November 9, 2022, and the operation of risk management was reported to the Board of Directors on December 23.		
2.23	Has the Company's Board of Directors performance evaluation policy been approved by the Board of	Yes	On November 19, 2022, the Board of Directors of the Company approved the amendment to conduct external		

Evaluation Item		Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
		Yes	No	Description	
	Directors, specifying at least one external evaluation to be conducted every three years, and has the evaluation been conducted in the evaluated year or the past two years, and the implementation and evaluation results disclosed on the Company's website or Annual Report?				evaluations at least every three years, and disclosed the implementation and evaluation results on the Company's website. In addition, an external evaluation will be conducted between January to February of 2023.
2.30	Does at least one of the Company's internal audit personnel hold International Certified Internal Auditor, International Computer Auditor, or CPA qualifications:	Yes			The Company's internal audit personnel hold CPA qualifications.
3.14	Does the company disclose in its annual report the link between director and manager performance evaluations and remuneration?	Yes			The Company has disclosed the director and manager performance evaluations and remuneration in the annual report.
3.20	Has the Company been invited (voluntarily) to hold at least two investor conferences at an interval of more than three months between the first and last two investor conferences of the evaluation year? [If the company holds a investor conference at least once a quarter or holds a investor conference on the quarterly operating status, an additional point will be added to the total score.]	Yes			The Company held two investor conferences on August 15, 2022, and November 23, 2022.

Note 1. Please refer to the following table for the board performance evaluation results in 2022.

(I) Overall Internal Performance Evaluation Results of the Board of Directors:

Orientation	Number of Questions	Evaluation Results (Out of 5 points)	Evaluation Results
Participation in the operation of the Company	12	4.17	The self-evaluation results were “excellent (above average)” and “exceeded the standard”.
Improvement of the Board of Directors' decision making quality	12	4.67	
Composition and structure of the Board of Directors	7	4.43	
Election and continuing education of the Directors	7	4.14	
Internal control	7	4.71	
Total/average score	45	4.42	

(II) Self-evaluation by Board Members:

Orientation	Number of Questions	Evaluation Results (Out of 5 points)	Evaluation Results
Alignment of the goals and mission of the Company	3	4.89	The self-evaluation results were “excellent (above average)” and “exceeded the standard”.
Awareness of the duties of a Director	3	4.81	
Participation in the operation of the Company	8	4.60	
Management and communication of internal relationship	3	4.78	
The Director's professionalism and continuing education	3	4.70	
Internal control	3	4.81	
Total/average score	23	4.72	

(III) Internal performance self-evaluation results of the Remuneration Committee:

Orientation	Number of Questions	Evaluation Results (Out of 5 points)	Evaluation Results
Participation in the operation of the Company	4	5.00	The results of the self-evaluations conducted by the convener and committee members in attendance were "excellent" and "significantly exceeded the standard".
Awareness of the duties of the functional committee	5	5.00	
Improvement of quality of decisions made by the functional committee	7	5.00	
Makeup of the functional committee and election of its members	3	5.00	
Internal control	3	5.00	
Total/average score	22	5.00	

(IV) Internal performance self-evaluation results of the Audit Committee:

Orientation	Number of Questions	Evaluation Results (Out of 5 points)	Evaluation Results
Participation in the operation of the Company	4	4.83	The results of the self-evaluations conducted by the convener and committee members in attendance were "excellent" and "significantly exceeded the standard".
Awareness of the duties of the functional committee	5	4.67	
Improvement of quality of decisions made by the functional committee	7	4.71	
Makeup of the functional committee and election of its members	3	4.67	
Internal control	3	4.67	
Total/average score	19	4.71	

Note 2. Please refer to the following table for the independence and suitability evaluation results of CPAs in 2023.

Evaluation Item	Evaluation Results	Whether it Meets
1. Do the CPAs have close business and potential employment relationships with the company or its affiliates?	No	Yes
2. Do the CPAs hold or broker any stock or other securities issued by the company or its affiliates?	No	Yes
3. Do the CPAs act as the defender of the company or its affiliates or on behalf of the company to coordinate conflicts with other third parties?	No	Yes
4. Whether the CPA is related to the Company's directors, managers, or persons with positions that have a significant influence on the audit case.	No	Yes
5. Does the former partner within one year of disassociating from the joint accounting firm to which the CPA is affiliated join the company as a Director, officer or is in a key position to exert material impact over the subject matter of the engagement?	No	Yes
6. Have the CPAs provided audit services to the company for 7 consecutive years?	No	Yes
7. Have the CPAs complied with the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 on independence?	Yes	Yes
8. Do the CPAs and audit services team make appropriate recommendations and keep records on the audit of the company's management system and internal control system?	Yes	Yes
9. Do the CPAs and audit services team take the initiative to provide the company with updates on laws and regulations, amendment information and courses?	Yes	Yes

Note 3: Please refer to the following table for the independence and suitability evaluation results of CPAs certifying the financial statements in 2023.

Item No.	Independence	Evaluation Results	Remark
1.	Has the certifying CPA appointed by the Company avoided undertaking any commissioned work when it involves direct or significant indirect interests that could affect their impartiality and independence?	Yes	None.
2.	When providing auditing, review, verification, or professional examination of financial statements and issuing an opinion letter, the CPA must not only maintain substantive independence by being honest, fair, and objective, and exercising the professional care required, but also maintain formal independence. Are members of the audit service team, other co-practicing CPAs or shareholders of corporate accounting firms, accounting firms, related enterprises of the firm, and alliance firms able to maintain independence with respect to the Company?	Yes	
3.	Do the certifying CPAs appointed by the Company possess the following:		

Item No.	Independence	Evaluation Results	Remark
	(1) Integrity: CPAs should perform professional services with integrity and a rigorous attitude. CPAs should be sincere, candid, and honest in their professional and business relationships.	Yes	
	(2) Fairness and objectivity: CPAs should maintain an objective and impartial position when performing professional services, and avoid biases, conflicts of interest, or any relationships that may affect professional judgment. A fair and objective position includes providing and using information without bias or prejudice, and exercising the professional care required.	Yes	
	(3) Independence: When performing the audit, review, verification, or professional examination of financial statements and issuing an opinion letter, CPAs should maintain a position of independence both formally and substantively, and express their opinions fairly.	Yes	
4.	Was the independence of the CPA related to honesty, fairness, and objectivity lacking or lost at the time of appointment, affecting their position of honesty, fairness, and objectivity?	No	
5.	Is the independence of the CPA affected by factors such as self-interest, self-review, advocacy, familiarity, and intimidation?	No	
6.	Independence affected by self-interest refers to conflicts of interest that arise from the CPA obtaining financial benefits from the Company or other relationships related to the Company. The circumstances that may have such impacts generally include:		
	(1) Whether there is a direct or significant indirect financial relationship with the Company.	No	
	(2) The firm is overly reliant on the Company's source of remuneration.	No	
	(3) There are significant and close business relationships with the Company, including financing or guarantee transactions with the directors of the Company.	No	
	(4) Considered the possibility of losses for the Company.	No	
	(5) Whether there is a potential employment relationship with the Company.	No	
	(6) Public expenses related to the Company's audit case.	No	
	(7) Major errors were found in the professional service report previously provided by other members of the firm.	No	

Item No.	Independence	Evaluation Results	Remark
7.	<p>Independence affected by self-review refers to the CPA's reports or judgments made when performing non-audit services, which serve as important basis for the audit conclusion during the process of auditing or review of financial information. It also refers to the situation where the audit service team members have served as directors or supervisors of the Company or have held positions directly affecting the audit case. The circumstances that may have such impacts generally include:</p> <p>(1) The firm provides assurance services for the design or assistance in the operation of financial information systems.</p> <p>(2) The original documents prepared by the firm are used for significant or important matters in assurance cases.</p> <p>(3) The members of the audit service team currently serve or have served within the last two years as directors, supervisors, managers, or positions that have a significant influence on audit cases.</p> <p>(4) Non-audit services provided to the Company will directly affect the important items of the audit case.</p>		
8.	<p>Independence affected by advocacy refers to the situation where audit service team members become advocates for the Company's position or opinions, which raises questions about their objectivity. The circumstances that may have such impacts generally include:</p> <p>(1) Promotion or mediation of the stocks or other securities issued by the Company.</p> <p>(2) Representing the Company in legal cases or other disputes with third parties, except for business permitted by law.</p>		
9.	<p>Independence affected by familiarity refers to the situation where the CPA or audit service team members become overly concerned or sympathetic to the interests of the Company due to close relationships with the directors, supervisors, or managers of the Company. The circumstances that may have such impacts generally include:</p> <p>(1) The members of the audit service team are related to the Company's directors, supervisors, managers, or persons with positions that have a significant influence on the audit case.</p>		



Item No.	Independence	Evaluation Results	Remark
	(2) Within one year of resignation, the joint practicing accountant serves as a director, supervisor, manager, or holds a position that has a significant influence on audit cases in the company.	No	
	(3) Accepted significant gifts, offerings, or special privileges from the Company, its directors, supervisors, managers, or major shareholders.	No	
10.	Independence affected by intimidation refers to the situation where the audit service team members are subjected to or perceive intimidation from the Company or other circumstances, which prevents them from maintaining objectivity and clarifying any professional doubts. The circumstances that may have such impacts generally include:		
	(1) The Company plans to initiate legal proceedings to protect its own interests.	No	None.
	(2) Threatened to revoke the appointment for non-audit services and forced the firm to adopt inappropriate accounting policies for a specific transaction.	No	None.
	(3) Threatened to revoke the appointment or re-appointment for audit cases.	No	None.
	(4) Pressured the accountant to improperly reduce the amount of audit work to be performed in order to reduce public expenses.	No	None.
	(5) The personnel of the Company posing as an expert pressured the auditor to accept a professional judgment on a disputed matter.	No	None.
	(6) The CPA required the audit service team members to accept inappropriate choices in accounting policies or inappropriate disclosures in financial statements prepared by management, or they will not be promoted.	No	None.
11.	The firm and the audit service team members have a responsibility to maintain independence, and when maintaining independence, they should consider the impact of the work they are performing on independence and establish measures to eliminate or reduce the above-mentioned impacts to an acceptable level.	Yes	
12.	When it is determined that the impact on independence is significant, the firm and the audit service team members should adopt appropriate and effective measures to eliminate or reduce the impact to an acceptable level, and record their conclusion.	Yes	

Item No.	Independence	Evaluation Results	Remark
13.	If the CPA or accounting firm does not take any measures or the measures taken cannot effectively eliminate the impact on independence or reduce it to an acceptable level, can the CPA still undertake the audit case commissioned by the Company and maintain their independence?	No	None.
Item No.	Competency	Evaluation Results	Remark
1.	Does the CPA possess the qualifications required to perform the operations?	Yes	
2.	Has the CPA been disciplined by the competent authority or the CPA Association, or been subject to punishment under Paragraph 3, Article 37 of the Securities and Exchange Act?	Yes	
3.	Does the CPA have relevant knowledge of the Company's industry?	Yes	
4.	Has the CPA performed the financial statement audit in accordance with the Accounting Standards Bulletin and their interpretations, as well as the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants by the Accounting Research and Development Foundation?	Yes	
5.	Has the appointed CPA of the Company used their position as a CPA to engage in unfair competition in the commercial industry?	Yes	

Conclusion: Based on the assessment results, no exceptional circumstances have been identified that could affect the accounting firm and certifying CPAs proposed for appointment: KPMG in Taiwan/CPAs I-Lien Han and Kuo-Yang Tseng

(4) Composition, Duties and Implementation Status of the Remuneration Committee:

1. Information on members of the Remuneration Committee:

April 4, 2023

Qualifications		Professional Qualification and Experience (Note 2)	Independence (Note 3)	Number of Other Public Companies in which Concurrently Holding Position as Independent Director
Title (Note 1) Name				
Independent Director	Hung-Chin, Huang	<ul style="list-style-type: none"> <li>• Master of Professional Accounting, Shanghai University of Finance and Economics</li> <li>• Major: Fiance</li> <li>• CPA</li> </ul>	<ul style="list-style-type: none"> <li>• They comply with the independence requirements specified in Article 6, Paragraph 1 of the Regulation Governing Establishment of and Exercise of Powers by the Remuneration Committee of the Companies Which Stocks are Listed or Traded in the Business Place of Securities Firm.</li> </ul>	1
Independent Director	Kuo-Feng, Lin	<ul style="list-style-type: none"> <li>• Ph.D., University of Pittsburgh</li> <li>• Major: Civil engineering</li> <li>• Distinguished Professor, Department of Civil Engineering, National Taiwan University</li> </ul>	<ul style="list-style-type: none"> <li>• There's no situation specified in Article 30 of the Company Act occurred to him/her.</li> </ul>	1
Committee Member	Tung-Hsuan, Wan	<ul style="list-style-type: none"> <li>• Ph.D., Department of Management Sciences, Tamkang University</li> <li>• Expertise: Corporate management/human resources management</li> <li>• CEO, Enterprise Service Center, Ming Chuan University</li> </ul>		1

Note 1. Please specify in the form the relevant working years, professional qualifications and experience, and independence of the Remuneration Committee's members. If any of them is an independent director, a remark may be left stating that "please refer to Appendix 1 Information on Directors and Supervisors on page 3. For the title, please fill in independent director, or other (if he/she/it is a convener, please leave a note).

Note 2. Professional Qualification and Experience: The professional qualification and experience of individual Remuneration Committee's members shall be specified.

Note 3. Independence: The independence of Remuneration Committee's members shall be specified, including but not limited to that whether they, their spouses, or relatives within the second degree of kinship serve as the Directors, Supervisors or employees of the Company or its any affiliates; the number and proportion of the Company's shares held by them, their spouses or relatives within the second degree of kinship (or by nominees); that whether they serve as the directors, supervisors or employees of the companies having specific relation with the Company (please refer to subparagraph 5 - 8 , Paragraph 1, Article 6 of the Regulation Governing Establishment of and Exercise of Powers by the Remuneration Committee of the Companies Which Stocks are Listed or Traded in the Business Place of Securities Firm); and amount of any remuneration received by them due to provision of commercial, legal, financial, accounting or any other services to the Company or its any affiliates in the most recent 2 years.

2. Operations of the Remuneration Committee:

(1) There are 3 members on the Remuneration Committee of the Company.

(2) Term of office of the current committee member: From June 15, 2020 to the date of re-election of the Company's Directors and Supervisors in 2023. Total 4 meetings (A) of the remuneration committee have been held in the most recent fiscal year. The qualifications and attendance of members are as follows:

Title	Name	Actual Attendance Times (B)	Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Remark
Convener	Hung-Chin, Huang	4	0	100%	Should attend 4 times
Committee Member	Kuo-Feng, Lin	4	0	100%	As above
Committee Member	Tung-Hsuan, Wan	4	0	100%	As above

Other matters that shall be reported:

1. If the Board of Directors does not adopt or amend recommendations proposed by the Remuneration Committee, the date, session, proposal contents and resolutions of the Board of Directors, and the Company's actions in response to the opinions of the Remuneration Committee shall be stated (also, where the remuneration approved by the Board of Directors is superior to that recommended by the Remuneration Committee, the differences and reasons shall be stated): None.
2. Where resolutions of the Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, proposal contents, opinions from every member, and actions in response to the opinions of the members shall be stated: None.
3. Operation of the Remuneration Committee in the Most Recent Year:

Remuneration Committee	Contents of Proposal and Subsequent Condition	Resolution	The Company's response to the Remuneration Committee's opinions
9th Meeting of the 4th Term 2022.03.24	1. Proposal for revision to the Company's organization. 2. Proposal for promotion of and salary adjustment for the Company's managerial officers in 2022. 3. The Company's employee remuneration and directors' remuneration allocation and distribution plan for 2021.	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all the Directors present
4th term 10th time 2022.07.12	1. The Company's Sustainable Development Committee Charter 2. The Company's position of corporate governance officer is held by the legal officer, Manager Zhu-Jun Chang	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all the Directors present
4th term 11th time 2022.08.03	1. Adjustment of the Company's Table of Compensation Structure for Each Position and Level. 2. The adjustment of the Company's chief internal auditor and personnel 3. Proposal for revision to the Company's organization	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all the Directors present

<p>4th term 12th time 2022.11.03</p>	<ol style="list-style-type: none"> <li>1. Amendment to the Company's Measures for Evaluation on the Board of Directors' Performance.</li> <li>2. Amendment to the Company's Employee Evaluation Measures</li> <li>3. Amendment of the Company's "Promotion and Remuneration Adjustment Management Measures"</li> <li>4. Adjustment of the Company's promotion and remuneration of managerial officers</li> </ol>	<p>Approved by all members present at the meeting</p>	<p>Submitted to the Board of Directors and approved by all the Directors present</p>
<p>4th term 13th time 2022.12.20</p>	<ol style="list-style-type: none"> <li>1. Payment of year-end bonuses according to the Company's "Evaluation Methods"</li> <li>2. Retirement of the Company's General Manager, Shih-Hsuan Chou</li> <li>3. Proposal for revision to the Company's organization</li> <li>4. The Company appointed Ms. Fang-Jia Chang, the accounting supervisor, to act as manager, Ms. Li-Ya Chen, the governance supervisor, as senior assistant manager, and Mr. Sih-Fan Pan, the finance supervisor, as deputy manager.</li> <li>5. The Company's promotion and remuneration adjustment of managerial officers</li> </ol>	<p>Approved by all members present at the meeting</p>	<p>Submitted to the Board of Directors and approved by all the Directors present</p>

Note:

- (1) Note: (1) Where members of the Remuneration Committee resign before the end of the year, the date of resignation shall be indicated in the Remarks column. Rate of actual attendance (%) shall be calculated by the number of Remuneration Committee meetings convened and times of actual presence during the term of service.
- (2) Where any member of the Remuneration Committee is re-elected before the end of the year, the new or former members shall be listed. Indicate in the Remarks column that whether the member is former, new or re-elected, and the date of re-election. His or her attendance rate (%) will be calculated on the basis of the number of Remuneration Committee meetings held during his or her tenure and the number of such meetings attended.

(5) Promotion status of sustainable development and discrepancy with industry standards in sustainable development practices and reasons:

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
1. Does the company establish a governance structure and an exclusively (or concurrently) dedicated unit for promoting sustainable development, and have management authorized by the Board of Directors to be in charge of, and have the Board of Directors to supervise, corporate social responsibility?	✓		<p>(1) The merged company passed the establishment of the "Sustainable Development Committee" in its board meeting on March 25, 2022. The Chairperson of the Board will serve as the Chairperson of the Committee, and more than half of the members will be independent directors. The Committee is responsible for implementing the sustainability strategy of the group and promoting related sustainability issues. In addition, on July 15, 2022, Chairman Ai-Wei Yuan, General Manager Shih-Hsuan Chou, and two independent directors, Hung-Chin Huang and Kuo-Feng Lin, were appointed as members of the Sustainable Development Committee.</p> <p>(2) Five promotion groups, i.e. "Corporate Governance, Green and Low Carbon, Innovative Services, Sustainable Supply Chain, Employee Happiness and Social Inclusion", are planned to be established under the Committee. The heads of the Company's corresponding departments with the highest level shall serve as the convener of these groups. A secretary for the Chairperson's Committee will be appointed to assist in meeting coordination, record-keeping, and project progress tracking. The Committee will report on</p>	Compliance

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
			<p>related plans and implementation progress to the Board of Directors at least once a year.</p> <p>(3) Currently, each promotion group has conducted risk assessments and management, and formulated relevant plans for their respective themes. They hold monthly promotion group meetings to understand and master the Company's sustainable acts concerning environment protection (E), social inclusion (S), and corporate governance (G) through various plans proposed by each action group, and provide suggestions and improvement measures. Reported to the Board of Directors and Sustainable Development Committee in Q1 and Q4.</p> <p>(4) The relevant operations and execution status are disclosed in the Execution Results of the Sustainable Development Committee below, as well as in the Sustainability Report and on the official website (<a href="https://esg.kedge.com.tw/">https://esg.kedge.com.tw/</a>).</p>	
2. Does the Company conduct risk evaluation on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		(1) In accordance with the sustainability reporting standards and materiality principles, the merged company identifies major economic, environmental, and social issues on the major principles of identification, analysis, and confirmation, and the authorized and responsibility department will make various risk assessment, management and formulate related strategies for each issue.	Compliance

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
			<p>(2) Please refer to the description of "Interaction and Significance of Stakeholders" in the CSR report.</p> <p>(3) The Company has placed greater importance on climate risk, and has followed the four major disclosures framework of the TCFD (Task Force on Climate-related Financial Disclosures) in 2022 to 2023 to identify and manage climate change transition risks and physical risks. In addition, the company has conducted financial impact assessments on highly risky factors as a reference for decision-making. Please refer to the 2021 Sustainability Report for detailed analysis of stakeholders and material topics (P21-24), and 5.4 Climate change and environmental governance (P87-90).</p>	
<p>3. Environmental issues</p> <p>(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?</p>	✓		<p>(1) The merged company has been committed to the introduction of various green engineering technologies for a long time, and providing owners with environmental protection and energy-saving solutions that reduce pollutions and the risk of affecting human health and environmental damage from the perspective of the whole life cycle. In addition, environmental protection measures shall be formulated in accordance with the local environment of the project, and the environmental management system shall be implemented in accordance with</p>	<p>Since the Company is not a manufacturing plant, it is not applicable to the payment of "using recycled materials".</p>



Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment?	✓		<p>relevant environmental protection laws and regulations of the owners and government units.</p> <p>(2) The merged company makes every effort to improve the utilization efficiency of various resources and energy conservation and carbon reduction. The Carbon Footprint Verification Statement has been obtained for the C4 Section Project in December 109. The carbon emission of materials and transportation was effectively reduced by replacing the cement in concrete with the recycled fly ash furnace powder and by other methods. At the same time, various resource reuse projects were implemented at various construction sites. In terms of professional engineering, the merged company constantly pursues the development and application of new technologies, conducts local green procurement, uses energy-saving products to reduce energy consumption and prevent and control pollution, handles local and green purchases, and uses products with energy-saving labels to reduce energy consumption and prevent pollution. In daily affairs, the merged company constantly advocates energy conservation, carries out e-document operation, and actively promotes the full use of recycled paper and the replacement of power-hungry lamps, so as to improve the utilization efficiency of various resources.</p>	Compliance

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
(3) Does the Company evaluate the present and future potential risks and opportunities of climate change to the Company, and taken measures to respond to climate-related issues?	✓		(3) The merged company regards mitigating climate change as one of its top priorities, is actively facing the impact of global climate change on its operations, integrates climate change into material environmental issues for risk and opportunity assessment, and adds buffer time, raises flood control standards, recruits younger staffs and provides more personal weather-resistant equipment when making the project plan, so as to avoid disasters or construction delays caused by climate change. Please refer to the 2021 Sustainability Report for detailed analysis of stakeholders and material topics (P21-24), and 5.4 Climate change and environmental governance (P87-90).	Compliance
(4) Does the Company calculate greenhouse gas emissions, water consumption and the total weight of waste over the past two years, and formulate policies for energy conservation and carbon emissions reduction, greenhouse gas emissions reduction, water consumption reduction or other waste management?	✓		(4) The merged company reports its water and electricity consumption and total waste weight for more than three years in its corporate social responsibility report. With 2022 as the base year, the Company completed greenhouse gas inventory and verification operations in accordance with ISO 14064-1 to effectively understand the Scope 1, 2, and 3 emissions from the headquarters and construction sites, so as to further establish a decarbonization path towards net-zero emissions by 2050. It implements energy policies on a daily basis, as well as makes energy-saving plans and relevant	Compliance

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
			<p>management measures to reduce the energy consumption during the construction process and daily works. The merged company is committed to promoting energy conservation and carbon reduction.</p> <p>The head office regularly promotes the concepts of energy conservation, announces the usage of photocopying paper and water and electricity consumption, and establishes reduction plans. Currently, all attendance forms of the company have been digitized, effectively reducing paper waste and achieving the goal of energy conservation and carbon reduction. Waste sorting and reduction and the reduction of single-use products during activities are also implemented. Energy-saving measures are also implemented for lighting and air conditioning in public spaces. In the future, use of public transportation, while ensuring epidemic prevention, will be encouraged to reduce greenhouse gas emissions.</p>	
<p>4. Social topics</p> <p>(1) (I) Does the company establish proper management methods and procedures in accordance with the relevant laws and regulations, and the International Bill of Human Rights?</p>	✓		<p>(1) The merged company supports and respects the spirit of the International Declaration of Human Rights and the Constitution, has formulated the basic code of conduct such as the "Code of Ethical Conduct" and the "Corporate Social Responsibility Best Practice Principles", as well as complied with the "Labor Standards Act" and</p>	Compliance

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
(2) (II) Does the company establish and implement reasonable employee benefits measures (including remuneration, leave and other benefits, etc.) and appropriately reflect the corporate business performance or achievements in the employee remuneration?	✓		<p>related regulations. No violation of personal freedom, no forced labor, no discrimination, no use of child labor. And the merged company has formulated the "Prevention Measures, Complaints and Disciplinary Measures" for Sexual Harassment, and established a committee to investigate sexual harassment complaints and prevent inappropriate sexual harassment caused by the execution of official duties.</p> <p>(2) The merged company attaches great importance to the welfare and care of employees, analyzes and investigates the market salary, welfare situation and employment environment with a professional team, formulates a reasonable salary and remuneration policy and sets up a remuneration committee to regularly review the performance and remuneration standards of Directors and all senior executives, and carries on the compensation structure design for employees according to the evaluation of their functions and positions. Evaluation Methods for Kedge Construction and Employee Reward and Punishment Method have been formulated to regulate the daily operation of employees that employee should abide by the work ethics and environmental safety regulations. Employee ethics, department performance and job performance are all included in the promotion</p>	Compliance

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
(3) (III) Does the company provide a safe and healthy working environment for its employees and organize training on safety and health on a regular basis?	✓		<p>evaluation, of which the results will have impact on the proportion of year-end bonus payment, level promotion and salary adjustment.</p> <p>Where employees of the Company have obtained bidding projects which are special or have material contributions, colleagues who participated in the bidding will be rewarded for their credits in the bid in the current year. At the time of completion, the bonus budget will be appropriated from the profit to the project personnel and staff who are in charge of the site and have good performance.</p> <p>The merged company also provides a vacation system, employee benefits (birthday gift certificates, three-festival gift certificates, wedding gifts, birth certificates, occasional happy event gifts, employee house purchase discount, injury condolence subsidy, emergency assistance fund, annual health check, funeral subsidy, irregular staff dinners, year-end party) in accordance with laws and regulations, and an insurance system (labor insurance, national health insurance, provision for labor pension, group insurance) etc.</p> <p>(3) In accordance with the Occupational Safety and Health Act, the Occupational Safety Office of the merged company regularly organizes safety and health education and training, and some</p>	Compliance

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
(4) (IV) Has the company established an effective competency development career training program for employees?	✓		<p>special occupational safety and security professional training is entrusted to the external professional institutions, enabling employees or suppliers to acquire the knowledge and skills necessary to perform their jobs, promoting the industrial safety and security concept of employees or partner manufacturers by continuous training.</p> <p>In order to provide a safe, healthy and comfortable working environment, the merged company arranges health checks for employees every year. To create a friendly working environment, it also sets up a nursing room in the head office to encourage employees to settle down and have children, so as to maintain the right of postpartum female employees to breast feed (pump).</p> <p>(4) The Human Resources Department develops the coming annual education and training plan according to the business needs every year. Specific training is arranged for promoted officers, position changes and new colleagues. According to the business needs, each unit will put forward the training needs every year, and the Human Resources Department will coordinate the training, and engages colleagues in the field or outside the field to provide courses, thus all colleagues can exchange professional skills. Through continuous</p>	Compliance

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
(5) Does the company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	✓		<p>training, the merged company is able to promote the quality and professional work skills of manpower, to enhance the competitiveness of all colleagues, shaping a working environment of unlimited career and endless development.</p> <p>(5) The merged company guards the health and safety of customers, does not use any hazardous substance in the construction process, and has obtained relevant inspection certificates provided by suppliers for the raw materials used, such as non-radioactive pollution certificate of steel bars, chloride content inspection certificate of concrete and no use of marine sand, etc., so as to guarantee the quality. And the CRM customer relationship management system was introduced for customer privacy, including software security management, peripheral device security management and file directory monitoring and management, so as to ensure that customer privacy and confidential information are not disclosed.</p> <p>The merged company has obtained the international standard certification of ISO 9001:2015, ISO 45001 and CSR, and established the quality management system and set up the quality management standard in each link of project management. The Company contracts projects by bidding or bargaining</p>	Compliance

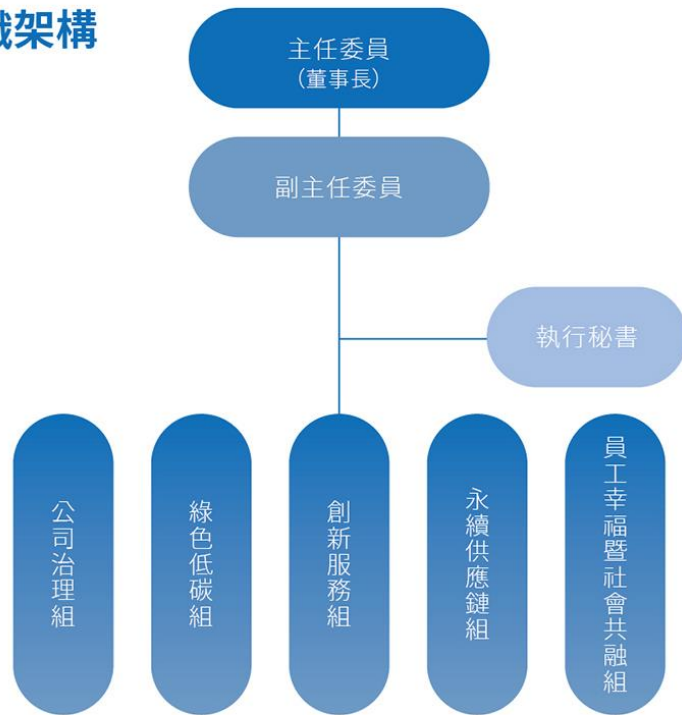
Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
(6) (VI) Does the company have established a supplier management policy that requires suppliers to comply with the relevant standards on issues such as environmental protection, occupational safety and health, or labor and human rights? And the implementation status.	✓		<p>system, and most customers entrust professional supervision companies to monitor the construction on behalf, therefore, it will not mislead customers into buying products or services that do not meet their needs with unfair, incomplete or inaccurate marketing and information.</p> <p>What's more, the "Purchasing Department" and "Customer Service Department" also set up a complaint and customer service window. Purchasing Department is responsible for responding to any problems raised by suppliers, while a dedicated person of the "Customer Service Department" is managing systematically for any customer feedback about quality problems, responding within 24 hours, providing immediate after-sales service. There were not any violations of health and safety regulations or complaints of suspected personal information disclosure in 111.</p> <p>(6) The merged company attaches great importance to environmental and social protection and is committed to ensuring the safety of working environment, occupational safety and health of workers or labor human rights in the industrial supply chain. Therefore, it has formulated the Supplier Code of Conduct and management strategy, requiring the supplier to implement in accordance with the content of the code and</p>	Compliance



Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
			<p>comply with the laws and regulations of the country where the supplier is located. In addition, the Company has established an evaluation and assessment system for suppliers before and after bidding, and there is also a related evaluation system for project acceptance. The system assesses whether the suppliers meet labor rights, environmental protection measures, and other aspects, which serve as a basis for subsequent contracting decisions.</p> <p>The contracts signed by the merged company and the suppliers have clauses about corporate social responsibility, and the Ethical Agreement Statement shall be signed separately, so as to achieve the purpose of promoting corporate social responsibility jointly by the merged company and the suppliers. In case that the supplier is involved in violating the company's corporate social responsibility policy or has significant impact on the environment and society, the contract may be terminated or dissolved at any time. The implementation rate of contracts signed with suppliers in 2022 is 100%.</p>	
5. V. Does the company adopt internationally widely recognized standards or guidelines when producing corporate social responsibility report and other reports that disclose non-financial	✓		The merged company prepares the corporate social responsibility report by referring to the Global Reporting Initiative (GRI) Standards, the Sustainable Development Goals (SDGs) of	Compliance

Evaluation Item	Implementation Status			Any Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereo
	Yes	No	Description	
information of the company? Whether assurance or verification opinions have been obtained for the aforementioned reports by a third party certification unit?			United Nations, and the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies promulgated by the Taiwan Stock Exchange/Taipei Exchange (TWSE/TPEX), and obtains the Assurance Statement from external unit BSI Taiwan in accordance with requirements of the international standard AA 1000 ASv3.	
6.	Where the Company has formulated its own corporate social responsibilities principles according to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please state the variances between its implementation and the principles formulated: the Company has formulated its "Corporate Social Responsibility Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", stipulating that directors shall undertake the primary obligation of urging the Company to carry out its social responsibility and shall keep the implementation effectiveness under review and make continuous improvement at any time, and the Company shall actively practice corporate social responsibility (CSR) to ensure the implementation of CSR policies on "Corporate Governance, Sustainable Environment and Social Welfare" through corporate citizenship's undertaking of responsibilities. At the same time, the CSR report issued by the Company has been verified by an external unit to comply with the three basic principles of the international standard AA 1000: inclusiveness, materiality and responsiveness.			
7.	Other key information useful for understanding the implementation status of corporate social responsibility practices: Please refer to the Company's website: CSR Zone and the Company's CSR Report for the corporate social responsibility operation of the merged company. <a href="https://www.kedge.com.tw/wp-content/uploads/2022/08/KEDGE2021ESGREPORT.pdf">https://www.kedge.com.tw/wp-content/uploads/2022/08/KEDGE2021ESGREPORT.pdf</a>			

## 組織架構



推行組別	工作內容
公司治理組	負責營運與財務風險及績效檢討評估、董事會強化、法令遵循、內稽內控的落實及資訊安全。
綠色低碳組	負責從設計研發、綠色工法等構面執行工程專案，並落實減緩環境衝擊、與溫室氣體管理。
創新服務組	負責運用研發能力，透由數位化與智慧化提升工程營運與產品服務。
永續供應鏈組	負責與客戶及供應商共同倡議、分享、落實永續理念，建立永續供應鏈篩選準則、風險衝擊評估機制。
員工幸福暨社會共融組	負責提升公司內外部的人文關懷與環境教育、提升職場、生活品質及社會公益參與。

為使公司永續治理推展得以落實，永續發展委員會職掌與權責如下：

- ▶ 制定永續發展政策。
- ▶ 檢討永續發展管理系統之運作。
- ▶ 檢討公司ESG政策之目標、策略與行動方案，並指導與追蹤各項行動方案之進展與績效改進。

- ▶ 督導各項利害關係人溝通計畫(如永續報告書之撰寫)，並視需要邀請利害關係人參與委員會之討論或召開利害關係人會議。
  - ▶ 督導永續報告書的編撰，以於規定時間內完成。
- 永續發展委員會之各項執行成果與進度，由公司治理組負責檢視及審查監督，以納入公司決策考量並深化永續發展之績效，同時使短中長期永續目標逐步落實，展現根基邁向永續發展的決心。

(6) The implementation of ethical corporate management:

Evaluation Item	Implementation Status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
1. Establishment of ethical corporate management policies and programs				
(1) Does the company establish the ethical corporate management policies approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	✓		(1) In order to establish a corporate culture of ethical management and a reference framework for good business operation, the Company has formulated the "Corporate Governance Practice Guidelines", "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" to regulate the Company and its directors, supervisors, managerial officers, employees, appointees and substantial controllers, as well as the ethical standards and codes of conduct in the performance of duties.	Compliance
(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(2) To ensure the implementation of ethical management, the merged company has established effective accounting and internal control systems, and its internal auditors regularly audit the compliance of the preceding systems. Select suitable candidates when selecting cooperative manufacturers, and state in the statement "do not exercise gifts, hospitality or give improper benefits".	Compliance
(3) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	✓		(3) The merged company has formulated the "Procedures for Ethical Management and Guidelines for Conduct" on March 26, 2021 and approved the Measures for Whistle-blowing against Violation of Ethical Corporate Management Best Practice Principles in October 2021,	Compliance

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			targeting the directors, supervisors, managerial officers, employees, assignees, and persons with substantial control capabilities of the Company and the Group's companies and organizations. It is forbidden to offer or accept bribes, provide illegal political contributions, improper charitable donations or sponsorships, provide or accept improper gifts, reception or other improper benefits, leak the Company's trade secrets, infringe on intellectual property rights, and engage in unfair competition behaviors and services dishonest acts that harm consumers or other interested parties. In addition to that the "Staff Working Rules" and other personnel policies have stipulated that employees shall not involve in unethical conduct, the merged company includes the prevention operational procedures in the training courses for new employees or other personnel education and training.	
2. Implementation of ethical corporate management				
(1) Does the Company evaluate the ethical record of its business partners and set ethical conduct policies in the terms and conditions of its contracts with the counterparties?	✓		(1) When selecting cooperative manufacturers, the merged company selects suitable candidates by means of credit investigation, and stipulates in the statement "do not exercise gifts, hospitality or give improper benefits".	Compliance
(2) Does the company establish an exclusively dedicated unit supervised by the Board of Directors to be in charge of ethical corporate management and report to the Board of Directors the implementation of ethical	✓		(2) The Human Resources Department of the merged company is responsible for the formulation and promotion of business policies and rules, and the audit unit shall carry out the compliance audit and report to	Compliance

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>corporate management policies and prevention programs on a regular basis (at least once a year)?</p> <p>(3) Does the company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?</p>	✓		<p>the Board of Directors.</p> <p>(3) The merged company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” on March 26, 2021. The Auditing Office, the Administrative Management Division and the Finance Division jointly set up an ethical management team, and the Human Resources Department of the Administrative Management Division is the personnel statement window, submits the statements to the ethical management team for discussion and implementation, and reports work to the Board of Directors on a regular basis.</p>	Compliance
<p>(4) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a certified public accountant to carry out the audit?</p>	✓		<p>(4) The audit unit of the merged company conducts regular or irregular audits on various operating activities to ensure the effective implementation of various systems.</p>	Compliance
<p>(5) Does the company regularly hold internal and external training on ethical corporate management?</p>	✓		<p>(5) The merged company adheres to the business philosophy of ethical management and strengthens the publicity and guidance in the business meeting for implementation.</p>	Compliance
<p>3. Operation of the whistle-blowing system</p> <p>(1) Does the company establish both a reward/whistle-</p>	✓		<p>(1) The merged company has established a mailbox and</p>	Compliance

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?			hotline for whistle-blowing and complaints. The Human Resources Department is responsible for handling relevant affairs and handling complaints and penalties according to the Company's prescribed operating procedures.	
(2) Has the Company formulated the standard operating procedures for accepting the investigation, follow-up measures to be taken upon completion of the investigation and the relevant confidentiality mechanism?	✓		(2) The Human Resources Department of the merged company shall be responsible for keeping confidential the information of the parties concerned when handling the whistle-blowing matters.	Compliance
(3) Does the company provide protection for whistle-blowers against receiving improper treatment?	✓		(3) The merged company has adopted a confidentiality system for the whistle-blowing process, thus the whistle-blower will not be punished for the whistle-blowing.	Compliance
4. IV. Strengthening of Information Disclosure				
(1) Does the Company disclose the status of implementation and effectiveness of promotion of ethical corporate management on its website and the Market Observation Post System (MOPS)?	✓		(1) The Company has set up a website with a "ESG Section", which clearly reveals that "ethic" is the most fundamental business philosophy, and promotes the company spirit as "emphasis on integrity, quality insistence, sincere service, innovation and progress, sustainable operation".	Compliance
5. Where the company has formulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please state the variances between its implementation and the principles formulated:				
(1) In order to practice corporate social responsibility and promote the balance of economy, society and environment and sustainable development, the Board of Directors of the Company adopted the Ethical Corporate Management Best Practice Principles on March 24, 2016, and regularly reviewed the implementation status in accordance with the principles and made improvements accordingly. There is no variance since its implementation.				
(2) the Company attaches great importance to ethical corporate management, and has organized educational and training courses related to ethical corporate				

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
management (such as new employee education and training with corporate culture and ethical management as theme, Money Laundering Control Act, etc.) in 2022, with 509 participants and a total of 494 hours.				
6. Any other important information to facilitate a better understanding of the Company's ethical corporate management (such as review on and amendment to the Company's Ethical Corporate Management Best Practice Principles):				
(1) The merged company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.				
(2) The merged company has specified the article of recusal system for Directors in the Rules of Procedure for Board of Directors Meetings that if a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, and the relationship is likely to prejudice the interest of the Company, the Director shall state opinions and answer inquiries, may not participate in and shall recuse himself or herself from the discussion or the voting on the agenda item, and may not exercise voting rights as a proxy for another Director.				
(3) The merged company has formulated the Procedures for Handling Material Inside Information, specifying that no Director, Supervisor, Managerial Officer, or employee with knowledge of material inside information of the Company may divulge the information to others, nor may inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, or nor may they disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties.				
(4) The merged company has formulated the "Ethical Corporate Management Best Practice Principles", which clearly stipulates that directors, managerial officers, employees, assignees or persons with substantial control capabilities, in the process of engaging in business activities related to the Company, shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.				

(7) If the Company has established corporate governance principles and related guidelines, the means of accessing this information should be disclosed:

The merged company has formulated the Corporate Governance Practice Principles and disclosed it on the MOPS and the Company website.

(8) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: Note.



(9) Implementation of internal control system:

1. Statement on Internal Control:

## **Kedge Construction Co., Ltd.**

### **Statement of Internal Control System**

Date: March 14, 2023

According to the self-evaluation results of internal control system by the company in 2019, we hereby states as follows:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Regulations"). The Regulations are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. The evaluation results indicated that the company's internal control system (including supervision and management of subsidiaries) dated December 31, 2019 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies.
- VI. This statement is an integral part of the Company's Annual Report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. The Company hereby declares that this statement had been approved by the Board of Directors on March 23, 2020. Among the 9 attending Directors, no one raised any objection and all consented to the content expressed in this statement.

Kedge Construction Co., Ltd.

Chairman                      Ai-Wei, Yuan                      Signature & Seal

   Yi-Fang, Huang

General Manager: Chun-Ming, Chen                      Signature & Seal

2. A CPA is entrusted to carry out a special audit of the internal control system:  
None.
- (10) Any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, the main shortcomings, and condition of improvement: None.
- (11) Important Resolutions of Shareholders' Meeting and Board of Directors in the Most Recent Year and in the Current Year as of the Publication Date of the Annual Report:

1. Material resolutions of the Regular Shareholders' Meeting:

Meeting Time	Important Resolution		Implementation Status
2022.06.15	Recognition	Passed the adoption of the Company's 2021 business report and financial statements.	The resolution has been implemented
		Passed the adoption of the Company's 2021 Earnings Distribution Proposal.	The cash dividend is NT\$2.6 per share, which has been distributed on August 26, 2022. The stock dividend is NT\$1 per share, with an ex-right (ex-dividend) date of August 7, 2022.
	Discussion	Passed the amended Articles of Incorporation of the Company.	The resolution has been implemented.
		Passed the 2021 issuance of new shares by increasing capital with earnings surplus.	Implemented according to the resolution results.
		Passed the amended Procedure for Acquisition and Disposal of Assets of the Company.	The resolution has been implemented.

2. Material Resolutions of the Board of Directors:

Meeting Date	Session	Important Resolution
2022/03/25	11th term The 16th session of the 11th meeting	<ol style="list-style-type: none"> <li>1. The Remuneration Committee approved the proposal for revision to the Company's organization.</li> <li>2. The Remuneration Committee approved the proposal for promotion of and salary adjustment for the Company's managerial officers in 2022.</li> <li>3. The Remuneration Committee approved the Company's employee remuneration and directors' remuneration allocation and distribution plan for 2021.</li> <li>4. The Audit Committee approved the Company to win the bid granted by Taiwan Semiconductor Manufacturing Co., Ltd.</li> <li>5. The Audit Committee approved formulation of the Company's 2021 Statement on "Internal Control System".</li> <li>6. The Audit Committee approved preparation of the Company's 2021 business report and financial statements.</li> <li>7. The Audit Committee approved the Company's earnings distribution plan for 2021.</li> </ol>

Meeting Date	Session	Important Resolution
		<ol style="list-style-type: none"> <li>8. The Audit Committee approved the Company's plan to withdraw NT\$106,035,660 of shareholders' bonus from the distributable earning of 2021 for capital increase from retained earnings and issue 10,603,566 ordinary shares, in order to expand businesses and improve financial structure.</li> <li>9. The Audit Committee approved the proposal for amendment to the partial provisions of the "Rules for Acquisition or Disposal of Assets" and the "Corporate Social Responsibility Best Practice Principles".</li> <li>10. The Audit Committee approved the proposal for amendment to the partial provisions of the Company's "Articles of Incorporation".</li> <li>11. The Audit Committee approved the proposal for amendment to the partial provisions of the Company's "Corporate Governance Best-Practice Principles", and Standard Procedures for Handling Director's Requirements.</li> <li>12. The Audit Committee approved the change to the CPAs Auditing the Company's Financial Statements into CPAs I-Lien, Han and Kuo-Yang, Tseng from the Q1 2022 in response to the internal adjustment of KPMG in Taiwan.</li> <li>13. The Audit Committee approved evaluation on the independence and competence of the CPAs appointed by the Company.</li> <li>14. Agenda and other related matters for the Company's 2022 annual Shareholders Meeting were established.</li> <li>15. The Company proposed to sign financing contracts with financial institutions due to business needs.</li> </ol>
2022/05/06	11th term The 17th Meeting	<ol style="list-style-type: none"> <li>1. The Audit Committee passed the Company's 1st quarter consolidated financial statements for 2022.</li> </ol>
2022/7/15	11th term The 18th Meeting	<ol style="list-style-type: none"> <li>1. The Remuneration Committee approved the Company's Sustainable Development Committee Charter</li> <li>2. The Remuneration Committee approved the Company's appointment of the corporate governance officer.</li> <li>3. Set the base date of the Company's stock dividend allocation for 2021.</li> <li>4. The Company proposed to sign financing contracts with financial institutions due to business needs.</li> </ol>
2022/8/5	11th term The 19th Meeting	<ol style="list-style-type: none"> <li>1. The Audit Committee passed the Company's 2nd quarter consolidated financial statements for 2022.</li> <li>2. Proposal to revise the Company's financial performance targets for 2022.</li> <li>3. The Audit Committee approved the amendment to the partial provisions of the Company's "Rules and Procedures of Board of Directors Meeting".</li> <li>4. The Remuneration Committee approved the adjustment of the Company's Table of Compensation Structure for Each Position and Level.</li> <li>5. The Remuneration Committee and Audit Committee approved the adjustment of the Company's chief internal auditor and personnel</li> <li>6. The Remuneration Committee approved the proposal for revision to the Company's organization.</li> </ol>

Meeting Date	Session	Important Resolution
2022/11/9	11th term The 20th Meeting	<ol style="list-style-type: none"> <li>1. The Audit Committee Passed the Company's 3rd quarter consolidated financial statements for 2022.</li> <li>2. The Audit Committee approved the proposal for amendment to the system manual and partial procedures of the Company's internal control system.</li> <li>3. The Audit Committee approved the Company's stipulation of the "Risk Management Policies and Measures".</li> <li>4. The Audit Committee approved the amendment to the partial provisions of the Company's "Rules and Procedures of Board of Directors Meeting".</li> <li>5. The Remuneration Committee approved the amendment to the Company's Measures on Board Performance Evaluation.</li> <li>6. The Remuneration Committee approved the Company's "Employee Evaluation Measures".</li> <li>7. The Remuneration Committee approved the Company's "Promotion and Remuneration Adjustment Management Measures".</li> <li>8. The Remuneration Committee approved the ratification of the standards for salary adjustment based on promotion for the Company's managerial officers.</li> <li>9. The Company proposed to sign financing contracts with financial institutions due to business needs.</li> </ol>
2022/12/23	11th term 21st meeting	<ol style="list-style-type: none"> <li>1. Proposal to formulate the Company's 2023 Business Plan.</li> <li>2. Proposed the Company's 2023 audit plan.</li> <li>3. The Audit Committee approved evaluation on the independence and competence of the CPAs appointed by the Company.</li> <li>4. It is proposed to establish general principles for the Company's pre-approval policy on non-assurance services.</li> <li>5. Amendment to parts of the Company's Procedures for Handling Material Inside Information.</li> <li>6. The Remuneration Committee approved the payment of year-end bonus to managerial officers (the heads above Assistant Vice President level, and the heads of Financial Department and Accounting Department) and performance bonus to employees according to the "Company's Evaluation Methods".</li> <li>7. The Remuneration Committee approved the retirement of the Company's General Manager, Shih-Hsuan Chou.</li> <li>8. The Remuneration Committee approved the proposal for revision to the Company's organization.</li> <li>9. The Remuneration Committee approved the Company's appointment of the corporate governance officer, accounting supervisor and financial supervisor.</li> <li>10. The Remuneration Committee approved the standards for salary adjustment based on promotion for the Company's managerial officers.</li> </ol>

- (12) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a Director or Supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, the main content: None.
- (13) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's Chairman, General Manager, Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D:

Title	Name	Office Assumption Date	Dismissal or Resignation Date	Reasons for Resignation or Dismissal
General Manager	Shih-Hsuan, Chou	2021.07.01	2022.12.31	He's retired.
Accounting Manager	Li-Ya, Chen	2016.12.30	2022.12.31	Job adjustment
Financial Manager	Li-Ya, Chen	2017.11.10	2022.12.31	Job adjustment
Audit supervisor	Bo-Zhen, Fan Jiang	2021.01.27	2022.08.04	Job adjustment
Corporate Governance Officer	Li-Ya, Chen	2021.01.01	2022.07.14	Job adjustment
Corporate Governance Officer	Zhu-Jun, Zhang	2022.07.15	2022.12.31	Job adjustment

(IV) Information on fees to CPA:

- (1) Information on CPA fees:

Name of CPA Firm	Name of CPA	Audit Fees (NT\$ thousand)	Non-audit Fee (NT\$ thousand)				Audit Period	Remark	
			System Design	Registration with the administration of industry and commerce	Human Resources	Other			Subtotal
KPMG in Taiwan	I-Lien, Han	2,950	0	125	30	0	155	2022.01.01~2022.12.31	The non-audit fee is the review fee for the Compensation Information Checklist for Full-time Employees who are not in Officer Positions.
	Kuo-Yang Tseng								

- (2) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto: None.
- (3) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.

- (4) Whether the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more: None.

(V) Information on accountant change:

(1) About the previous CPA:

Date of Replacement	2022.03.25		
Replacement Reasons and Explanations	Cooperate with the accounting firm to adjust the internal duties of CPAs		
Termination by the Company or the CPAs	Condition	Party	Client
	Termination by the Company	Not applicable	Not applicable
	Termination by the CPAs	Not applicable	Not applicable
Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons	Not applicable		
Deviation from the Issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Other
	None	✓	
Description: Not applicable.			
Other Revealed Matters (Article 10, Subparagraph 5, Item 1, Point 4 of this Guidelines shall be disclosed)	None		

(2) About the succeeding CPA:

Name of CPA Firm	KPMG in Taiwan
Name of CPA	I-Lien Han, Kuo-Yang Tseng
Date of Appointment	2022.03.25
Accounting handling methods or accounting principles for specific transactions before appointment and consultation matters and results for the possible opinions on the financial reports [segtodelete] Handling method or accounting principles and potential comments related to the financial statements Consultation matters and results	None
Written opinion of the successor auditor that is different from the opinion of the predecessor auditor	None



(3) Former CPAs' Reply to Disclosures under Items 1 and 2-3, Subparagraph 6, Article 10 of the Guidelines: N/A.

(VI) Whether the company's chairman, General Manager, or any Managerial Officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm: None.

(VII) Equity transfer or changes to equity pledge of directors, independent directors, managerial officers, and shareholders holding more than ten percent (10%) of company shares during the year prior to the publication date of the Annual Report:

(1) The Status of any Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder With a Stake of More than 10 Percent:

Title	Name	2022		As of April 4 of the Current Fiscal Year (2023)	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman	Kindom Development Co., Ltd. Representative: Ai-Wei, Yuan	3,624,776	-	-	-
Director	Kindom Development Co., Ltd. Representative: Mike, Ma		-	-	-
Director	Kindom Development Co., Ltd. Representative: Ching-Sung, Tseng		-	-	-
Director	Kindom Development Co., Ltd. Representative: Mei-Chu, Liu		-	-	-
Director	Kindom Development Co., Ltd. Representative: Yi-Fang, Huang		-	-	-
Director	Kindom Development Co., Ltd. Representative: Shih-Hsuan, Chou		-	-	-
Independent Director	Hung-Chin, Huang	-	-	-	-
Independent Director	Shen-Yu, Kung	-	-	-	-
Independent Director	Kuo-Feng, Lin	-	-	-	-
General Manager (Note 1)	Shih-Hsuan, Chou	7,378	-	-	-
General Manager	Yi-Fang, Huang	-	-	-	-
General Manager (Note 2)	Chun-Ming, Chen	69	-	-	-
Senior Assistant General Manager	Chin-Hua, Fan	6,226	-	-	-
Senior Assistant Vice President Corporate Governance Officer	Li-Ya, Chen	-	-	-	-
Corporate Governance Officer (Note 3)	Zhu-Jun, Zhang	-	-	-	-

Title	Name	2022		As of April 4 of the Current Fiscal Year (2023)	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Assistant Vice President	Chao-Ming, Chen	-	-	-	-
Senior Assistant Vice President	Wen-Hsiung, Chou	-	-	-	-
Senior Assistant Vice President	Chih-Kuo, Tseng	-	-	-	-
Senior Assistant Vice President	Hsien-Chin, Chiu	-	-	-	-
Senior Assistant Vice President	Chun-Cheng, Liang	-	-	-	-
Assistant Vice President	Chung-Te, Hsiao	-	-	-	-
Assistant Vice President	Wen-Chin, Li	-	-	-	-
Assistant Vice President	Ju-Ping, Chang	-	-	-	-
Assistant Vice President	Wen-Yao, Liu	-	-	-	-
Acting Assistant Vice President	Ming-Chung, Lin	-	-	-	-
Assistant Vice President	Chin-Chih, Hsu	-	-	-	-
Assistant Vice President	Hsu-Yuan, Yeh	-	-	-	-
Assistant Vice President	Chia-Hsing, Li	1,774	-	-	-
Acting Assistant Vice President	Chun-Jen, Huang	-	-	-	-
Assistant Vice President	Wei-Wen, Chen	2,363	-	-	-
Assistant Vice President (Note 4)	Hui-Guo, Hu	-	-	-	-
Acting Assistant Vice President	Ming-Hsiu, Li	-	-	-	-
Acting Assistant Vice President	Yu-Ta, Wang	-	-	-	-
Acting Assistant Vice President	I-Lung, Shih	-	-	-	-
Assistant Vice President (Note 5)	Bo-Ming, Liu	-	-	-	-
Assistant Vice President (Note 6)	Zhi-Sheng, Lin	-	-	-	-
Accounting Manager (Note 7)	Fang-Jia Chang	3,489	-	-	-
Financial Manager (Note 8)	Si-Fan, Pan	-	-	-	-

Note 1. Resigned as President on December 31, 2022.

Note 2. Promoted from Vice President to President on January 1, 2023.

Note 3. Promoted to Corporate Governance Officer on August 5, 2023 and dismissed on December 31, 2022.

Note 4. Promoted to Assistant Vice President on April 12, 2023.

Note 5. Promoted to Assistant Vice President on October 1, 2023.

Note 6. Promoted to Assistant Vice President on October 1, 2023.

Note 7. Promoted to Accounting Manager on January 1, 2023.

Note 8. Promoted to Financial Manager on January 1, 2023.

- (2) Information on Transfer of Equity: None.
- (3) Information on Pledge of Equity: None.

(VIII) Information on the top 10 shareholders of the company's identified as related parties, spouse or relative within second-degree of kinship:

April 4, 2023 (Unit: shares)

Name	Current Shareholding of Shareholder		Spouse & Minor Child(ren) Shareholding		Total Shareholding by Nominees		Name and relationship of top ten shareholders in shareholding who are related parties, spouses or relatives within second-degree of kinship		Remark
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
Kindom Development Co., Ltd. Representative: Mike, Ma	39,872,544	34.18%	-	-	-	-	Yute Investment Co., Ltd.	The company's chairman is a relative within the first degree of kinship of the chairman of Yute Investment Co., Ltd.	
							Mike, Ma	The chairman of this company	
							Mei-Chu, Liu	A relative within the first degree of kinship of the chairman of this company	
Yute Investment Co., Ltd. Representative: Mei-Chu, Liu	9,664,089	8.29%	-	-	-	-	Kindom Development Co., Ltd.	The company's chairman is a relative within the first degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Mike, Ma	A relative within the first degree of kinship of the chairman of this company	
							Mei-Chu, Liu	The chairman of this company	
							Miriam, Ma	A relative within the first degree of kinship of the chairman of this company	
Mei-Chu, Liu	3,107,470	2.66%	-	-	-	-	Kindom Development Co., Ltd.	Has a relative within the first degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Yute Investment Co., Ltd.	The chairman of this company	
							Miriam, Ma	First degree of kinship	
							Shao-Ling, Ma	First degree of kinship	
Miriam, Ma	2,230,068	1.91%	-	-	-	-	Kindom Development Co., Ltd.	He/she is the relative within the second degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Yute Investment Co., Ltd.	He/she is the relative within the first degree of kinship of the chairman of Yute Investment Co., Ltd.	
							Mike, Ma	Second degree of kinship	
							Mei-Chu, Liu	First degree of kinship	
Po-Wen, Chang	2,218,900	1.90%	-	-	-	-	-	-	

Name	Current Shareholding of Shareholder		Spouse & Minor Child(ren) Shareholding		Total Shareholding by Nominees		Name and relationship of top ten shareholders in shareholding who are related parties, spouses or relatives within second-degree of kinship		Remark
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
Mike, Ma	2,014,046	1.73%	-	-	-	-	Kindom Development Co., Ltd.	The chairman of this company	
							Yute Investment Co., Ltd.	Has a relative within the first degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Mei-Chu, Liu	First degree of kinship	
							Shao-Ling, Ma	Second degree of kinship	
							Miriam, Ma	Second degree of kinship	
Mei-Chin, Wu	2,009,055	1.72%	-	-	-	-	-	-	
Su-Yueh, Chuang	1,464,900	1.26%	-	-	-	-	-	-	
Shao-Ling, Ma	1,446,575	1.24%	286,652	0.27%	-	-	Kindom Development Co., Ltd.	He/she is the relative within the second degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Yute Investment Co., Ltd.	He/she is the relative within the first degree of kinship of the chairman of Yute Investment Co., Ltd.	
							Mike, Ma	Second degree of kinship	
							Mei-Chu, Liu	First degree of kinship	
							Miriam, Ma	Second degree of kinship	
Yung-Hsin, Chang	1,185,300	1.02%	-	-	-	-	-	-	

Note: The above information shall subject to that specified in the Register of Shareholders as of April 4, 2023.

(IX) Number of shares held by the Company, its directors, supervisors, managerial officers and directly or indirectly controlled investment companies in the same investment companies, and the combined calculation of shareholding percentages:

Unit: Share; %

Investee (Note)	Investment by the Company		Investment by the Directors, Supervisors, managerial officer and any companies directly or indirectly controlled by the Company		Total Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Guanqing Electromechanical Co., Ltd.	7,747,000	99.96%	-	-	7,747,000	99.96%
Jiequn Investment Co., Ltd.	16,396,352	99.98%	-	-	16,396,352	99.98%

Note: Investments by the company accounted for using equity method.

## Chapter 4. Capital overview

### (I) Capital and Shares:

#### (1) Sources of Capital

April 4, 2023; Unit: NT\$; Shares

Month/Year	Issuance Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Capital increase by Assets Other Than Cash	Other
1982.04	-	300,000	3,000,000	300,000	3,000,000	Incorporation	-	-
1987.10	-	750,000	7,500,000	750,000	7,500,000	Capital increase in cash: 4,500,000	-	-
2020.02	-	2,250,000	22,500,000	2,250,000	22,500,000	Capital increase in cash: 15,000,000	-	-
1994.08	10	2,250,000	22,500,000	2,250,000	22,500,000	-	-	Note 1
1994.12	10	19,000,000	190,000,000	19,000,000	190,000,000	Capital increase in cash: 167,500,000	-	-
1996.09	10	90,000,000	900,000,000	36,850,000	368,500,000	Capital increase from retained earnings: 28,500,000 Capital increase in cash: 150,000,000	-	Note 2
1997.06	10	90,000,000	900,000,000	46,117,500	461,175,000	Capital increase from retained earnings: 55,275,000 Capital increase in cash: 37,400,000	-	Note 3
1998.08	10	90,000,000	900,000,000	53,035,125	530,351,250	Capital increase from retained earnings: 69,176,250	-	Note 4
1999.06	10	90,000,000	900,000,000	60,990,393	609,903,930	Capital increase from retained earnings: 79,552,680	-	Note 5
2000.06	10	90,000,000	900,000,000	67,699,336	676,993,360	Capital increase from retained earnings: 67,089,430	-	-
2001.05	10	90,000,000	900,000,000	67,106,336	671,063,360	Capital reduction: 5,930,000	-	-
2001.10	10	90,000,000	900,000,000	66,106,336	661,063,360	Capital reduction: 10,000,000	-	-
2009.11~99.07	10	90,000,000	900,000,000	67,847,858	678,478,580	Conversion of corporate bonds: 17,415,220	-	Note 6
2010.10	10	120,000,000	1,200,000,000	95,047,858	950,478,580	Capital increase in cash: 272,000,000	-	Note 7
2010.10~2011.07	10	120,000,000	1,200,000,000	107,949,660	1,079,496,600	Conversion of corporate bonds: 129,018,020	-	Note 6
2012.11	10	120,000,000	1,200,000,000	106,035,660	1,060,356,600	Cancellation of treasury shares: 19,140,000	-	Note 8
2022.08	10	120,000,000	1,200,000,000	116,639,226	1,166,392,260	Capital increase from retained earnings: 106,035,660	-	Note 9

April 4, 2023; Unit: Shares

Type of Share	Authorized Capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	116,639,226	3,360,774	120,000,000	Listed stocks

(2) Shareholder Structure:

April 4, 2023

Item \ Shareholder Structure	Government Agencies	Financial Institutions	Other Corporate Shareholders	Individual	Foreign Institutions and Natural Persons	Total
Number of shareholders	-	2	218	26,472	84	26,776
Number of Shares Held	-	1,193,800	52,213,254	58,186,228	5,045,944	116,639,226
Shareholding Ratio	-	1.02%	44.76%	49.89%	4.33%	100.00%

(3) Dispersion of equity ownership:

April 4, 2023

Shareholding Range	Number of Shareholders	Number of Shares Held	Shareholding Ratio
1-999	20,547	385,045	0.33%
1,000-5,000	4,661	8,974,112	7.69%
5,001-10,000	734	5,013,256	4.30%
10,001-15,000	318	3,777,582	3.24%
15,001-20,000	125	2,175,290	1.86%
20,001-30,000	135	3,294,119	2.82%
30,001-40,000	48	1,659,027	1.42%
40,001-50,000	38	1,734,789	1.49%
50,001-100,000	89	6,087,741	5.22%
100,001-200,000	40	5,415,983	4.64%
200,001-400,000	20	5,868,281	5.03%
400,001-600,000	7	3,235,712	2.77%
600,001-800,000	1	690,000	0.59%
800,001-1,000,000	1	986,000	0.85%
More than 1,000,001 shares	12	67,342,289	57.75%
Total	26,776	116,639,226	100.00%

Note: No preferred stocks are issued by the company.



## (4) List of Major Shareholders:

April 4, 2023

Shareholding Name of Major Shareholders	Number of Shares Held	Shareholding Ratio
Kindom Development Co., Ltd.	39,872,544	34.18%
Yute Investment Co., Ltd.	9,664,089	8.29%
Mei-Chu, Liu	3,107,470	2.66%
Miriam, Ma	2,230,068	1.91%
Po-Wen, Chang	2,218,900	1.90%
Mike, Ma	2,014,046	1.73%
Mei-Chin, Wu	2,009,055	1.72%
Su-Yueh, Chuang	1,464,900	1.26%
Shao-Ling, Ma	1,446,575	1.24%
Yung-Hsin, Chang	1,185,300	1.02%

## (5) Stock price, net worth, earnings, dividends and related information for the previous two years:

Unit: NTS

Item		Year	2021	2022	As of the current year up to March 31, 2023 (Note 8)
Market Price Per Share (Note 1)	The Highest		54.00	60.00	68.70
	The Lowest		44.20	45.10	51.20
	Average		48.83	52.44	59.64
Net Worth per Share (Note 2)	Before Distribution		33.11	35.89	37.40
	After Distribution		30.10	(Note 10)	-
Earnings per share	Weighted average shares		106,035,660	116,639,226	116,639,226
	Earnings per share (Note 3)		6.35	8.98	1.43
Dividends per share	Cash dividends		2.60	4.15 (Note 10)	-
	Stock dividends	Stock dividends appropriated from earnings	1.00	0.35 (Note 10)	-
		Stock dividends appropriated from capital reserve	-	-	-
	Accumulated unpaid dividend (Note 4)		-	-	-
Analysis on return on investment	Price-to-dividends ratio (Note 5)		7.59	5.71	-
	Price-to-earnings ratio (Note 6)		18.53	12.36 (Note 10)	-
	Cash dividend yield (Note 7)		5.40%	8.09% (Note 10)	-

Note 1. The year's high and low market prices of common stock are provided, and the average price for the year is computed based on the year's transaction amount and volume.

Note 2. The number of issued shares at the end of the year shall be used and shall be listed according to the resolution of the shareholders meeting related to distribution in the following year.

- Note 3. If there is a need to retrospectively adjust the earnings per share due to factors such as stock dividends, the earnings per share before and after adjustment should be disclosed.
- Note 4. If the conditions for issuing equity securities stipulate that undistributed dividends for the current year will be accumulated and distributed in a future year with surplus earnings, the accumulated unpaid dividends as of the end of the current year should be disclosed separately.
- Note 5. Price-earnings (P/E) ratio = Average market price / Earnings per share.
- Note 6. Price-dividend ratio = Year's average per share closing price / cash dividend per share.
- Note 7. Cash dividend yield = Cash dividend per share / year's average per share closing price.
- Note 8. For net worth per share and earnings per share, data from the most recent quarter that has been reviewed by CPAs as of the publication date of this annual report should be filled. For other fields in this column, data from the current fiscal year as of the publication date of this annual report should be filled.
- Note 9. The adjusted earnings per share due to retroactive adjustment for bonus shares is NT\$6.35, while the earnings per share before adjustment was NT\$6.98.
- Note 10. Subject to the resolution of the shareholders' meeting.

(6) Dividend policy and implementation status:

1. Dividend policy adopted in the company's Articles of Incorporation:

The company will develop toward undertaking large-scale projects and strive for growth and innovation, continue to expand the appropriate amount of capital to meet the needs of the business and the shareholders' demand for cash. The articles of Incorporation of the company stipulate that the future cash dividend ratio shall be 20% or more of the total cash and stock dividends paid in the current year. In recent years, the dividend distribution ratio has exceeded 70% of the distributable earnings of the current year. In the future, the most appropriate distribution ratio will be determined depending on the operating conditions of the current year and the capital budget planning of the following year.

2. Current-year dividend distribution proposal to the shareholders' meeting:

The Company has established, at the Board of Directors' meeting on March 14, 2023, distribution of NT\$4.15 per share of cash dividends and NT\$0.35 per share of stock dividends for 2022, which will be implemented in accordance with relevant provisions after it is approved at the annual Shareholders' Meeting on June 2, 2023.

3. Any expected material changes in the dividend policy: None.

(7) Effects upon the company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting: None.

(8) Remuneration to Employees, Directors and Supervisors:

1. 1. The percentages or ranges with respect to the remuneration of the employee, Directors and Supervisors, as set forth in the company's Articles of Incorporation:

Subject to the Company's Articles of Incorporation, if the Company has profits in the year, it shall withdraw no less than 0.5% as employee compensation, and no more than 2% as Director's compensation. However, in case of the accumulated losses, certain profits shall first be reserved to cover them.

2. The basis for estimating the amount of employee, Director, and Supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Company's Board of Directors resolved, on March 14, 2023, to allocate and distribute employee compensation and director's remuneration for 2022, which comply with the Company's Articles of Incorporation. If the actual distributed amount resolved by the shareholders' meeting is different from the estimated amount, it shall be regarded as the change of accounting estimate and shall be classified as the profit and loss for the year the distribution is made.

3. Information on the proposed employee compensation approved by the Board of Directors:

	Resolution of the board meeting on March 14, 2023
Employee Compensation (Cash)	76,341,628
Remuneration to Directors and Supervisors (Cash)	28,582,793
Total	104,924,421

4. The actual distribution remuneration of employees, Directors, and Supervisors for the previous fiscal year (including the distributed number, amount and shares price), and where is any discrepancy between the actual distribution and the recognized remunerations for employees, Directors and Supervisors, the discrepancy, cause, and how it is treated shall be stated:

Unit: NT\$

	Reported to the shareholders meeting on June 15, 2022	Actual Amount Distributed
Employee Compensation (Cash)	49,810,374	49,810,374
Remuneration to Directors and Supervisors (Cash)	19,602,280	19,602,280
Total	69,412,654	69,412,654

(9) Company stock buyback: None.

(II) Issuance of Corporate Bonds: None.

(III) Issuance of Preferred Shares: None.

(IV) Issuance of global depositary receipts (GDR): None.

(V) The State of Handling Employee Share Subscription Warrants and New Restricted Employee Shares: None

(VI) Mergers, acquisitions, or issuance of new shares for acquisition of shares of other companies: None.

(VII) Financing plans and implementation:

(1) Plan content:

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: None.

(2) Implementation State

With respect to funds usage under the plans referred to in the preceding subparagraph, the annual report shall (for the period as of the quarter preceding the date of publication of the annual report) analyze the status of implementation and compare actual benefits with expected benefits: None.

## Chapter 5. Operational Highlights

The core business of the merged company is the integrated construction industry, and the operations of the merged company are summarized as follows:

(I) Business activities:

(1) Business scope:

1. Major business activities:

- (1) Construction engineering: government public projects, government index-based construction projects, government's social housing, high-tech and civilian factories, corporate headquarter office buildings, collective residential building projects, etc.
- (2) Civil engineering: government transportation construction, roads, bridges, stations, etc.
- (3) Other engineering: government public projects for rezoning, park base development, urban renewal business, collective residential building projects, etc.

2. Relative Weight of Business

The relative weight of operating income of the merged company in 2022 is as follows:

Engineering	Relative Weight of Business
Residential Engineering	12.99%
Civil Engineering	13.67%
Other Engineering	73.34%
Total	100.00%

3. Current Products (Services), and New Products (Services) Planned for Development:

The purpose of the project contracted by the merged company is as follows. In the future, except for the projects of residential buildings, factory buildings and commercial office buildings, the company will actively participate in the bidding of public construction to select the most favorable bidding, turnkey projects and other projects with high technology and high added value according to the nature of the projects.

- (1) Residential engineering: civil construction and development to meet the needs of housing.
- (2) Civil engineering: government transport construction to provide convenient transportation for people.
- (3) Other engineering: government public works, factory buildings, office buildings and other constructional engineering.

(2) Industry overview:

1. Current industry trends and future outlook:

With the impacts of new variants of COVID-19, the conflict between Russia and Ukraine, high inflation, and climate change, the global economy performed poorly in 2022. Many countries implemented monetary policy tightening to control inflation, but the negative impact of rising inflation, policy tightening, and financial pressure has led to a poor global economic outlook, which is expected to continue into 2023. Due to the world and major countries facing a downturn in growth and skyrocketing inflation, it has also affected domestic growth and prices. Increases in the costs of raw materials, fluctuation of oil price, continued rise in steel price, shortage of supply of building materials and concrete, significant increase in domestic and overseas transportation costs etc. will inevitably cause increase in construction costs. At present, the governments of various countries continue to offer difficulty- alleviation subsidies and propose various plans for recovery of economy, which causes significant changes in the industrial chain, and causes diversification and diversity-oriented adjustment, and thus promotes acceleration of transformation of the industry. Construction industry will transform from "digitalization" to "digital optimization" and to true "digital transformation", and its value in engineering will be displayed in the difficult time by mainly taking advantage of AI, machine learning, big data, 5G, cloud and other related technologies.

In the transformation of construction industry, digital application will be adopted to promote the transformation and upgrading of construction industry, including five technical orientations, i.e. building data center, building information modeling (BIM), smart management cloud platform, smart construction, and smart building materials. The whole service life cycle of buildings may be fully upgraded by virtue of maintenance and management of planning, design, construction and use through information management.

Due to the impact of the US-China trade war and COVID-19, many Taiwanese businesses have returned to invest in Taiwan since 2019. The government has also implemented the "Three Major Investment Promotion Programs" since July 2019, which welcomes Taiwanese businesses to invest in Taiwan and provides incentives such as water, electricity, financing, land, and tax benefits to help small and medium-sized enterprises invest with ease. Currently, 1,310 companies have passed the review, with a total investment amount of NT\$1.9 trillion. There is a shortage of building construction and land due to large demands, and shortage of land, water, electricity, talents, and labor are also caused. The Ministry of Economic Affairs offers land by release of idle lands and three-dimensionalization of industrial zones. In terms of water and electricity shortage, "open source, water and power saving, dispatching, and backup" and "coal reduction, gas increase, development of green, and non-nuclear" and other measures are taken to ensure sufficient water and power.

For talent plan, the idea of "talents attraction, keeping and cultivation" is proposed, and the Ministry of Labor improves the low-wage environment and develops labor to make supplement to the labor market in Taiwan, and proposes to amend the regulation governing labor in construction industry, including deletion of the NT\$10 billion of threshold for plan, reduction of individual threshold for contracts from NT\$1 billion to NT\$100 million, and inclusion of social housing projects; For major civil construction projects, the threshold of NT\$10 billion is also deleted, and individual threshold for contracts reduces from NT\$1 billion to

NT\$200 million, and applicable types are added; at present, foreign migrant workers shall be applied for to increase labor to meet the demands for labor for private investment in construction of public utilities, private schools, social welfare institutions, medical institutions, significant investment in building factories for manufacturing industry, and for the rewards for private investment in transportation construction, tourism and recreation, sports facilities, urban renewal, re-construction of dangerous and old buildings, etc. According to statistics from the Ministry of Labor, the number of migrant workers exceeded 720,000 at the end of December 2022, but the proportion of migrant workers engaged in construction engineering is only about 2.15%, and the construction job vacancy rate of 3.84% is higher than the overall job vacancy rate of 2.73%. This indicates that the measures to relax and loosen the employment of migrant workers have limited effect on easing the labor shortage in the construction industry. In the long term, efforts should continue to promote automation and precast concrete technology to simplify, standardize, and automate construction work, and reduce the demand for on-site manpower.

Despite the global economic slowdown and cautious capital investments by businesses due to weak global demand and high borrowing rates, Taiwan government's budget for public construction projects has reached a new high, and private consumption remains strong. Additionally, the ongoing relaxation of domestic epidemic control measures and border opening policies are expected to significantly increase domestic and foreign consumption, which is expected to continue to stimulate the growth of the domestic economy.

#### A. Residential Engineering

According to the statistics data on the sale and transfer of buildings issued by the Ministry of the Interior, the number of buildings sold and transferred in the six cities from January to December 2022 decreased by 9.0%, including 7% of annual decrease in Taipei City, 11.9% of annual decrease in New Taipei City, 6.8% of annual decrease in Taoyuan City, 2.2% of annual increase in Taichung City, 13.7% of annual decrease in Tainan City, and 17.3% of annual decrease in Kaohsiung City. Among the six municipalities, only Taichung City saw a slight increase of 2% in the number of real estate transactions due to the delivery of new properties. The other five municipalities showed year-on-year decreases, with the largest decline seen in the southern two municipalities.

Due to the government's anti-speculation policies and the recent trend of developers buying land and launching new projects, there is considerable potential selling pressure in the pre-sale market. The housing market still faces challenges such as a conservative economic outlook and high interest rates. In particular, with the speedy passage of the average land value law, it is expected to bring more uncertainty to the pre-sale and new housing markets. As a result, the market in the new year is expected to continue to shrink.

#### B. Public Construction

NT\$172.5 billion was included in the total budget for public construction projects in 2023, and NT\$83.2 billion was included in the special budget for forward-looking infrastructure plan (phase 4), special operating and non-operating funds amounted to NT\$341.5 billion, and thus, the total budget is NT\$597.2 billion, with an increase of NT\$145.7 billion and a rise of about 32.3% as compared with the same period in 2022.

In terms of the overall budget allocation, the current administration has expanded its focus on public infrastructure, enhanced technological development, promoted the transition to net-zero emissions, strengthened the financial sustainability of labor and health insurance systems, implemented measures to address low birth rates, ensured stable power supply, and enhanced military readiness. These matters have been given higher priority and will continue to receive funding support. The government will continue to invest in public infrastructure and balance regional development by accumulating national economic strength, solidifying critical infrastructure, cultivating national economic potential, and enhancing Taiwan's international competitiveness.

The Engineering Council has taken various measures to cope with the increase in prices. Pre-mixed concrete is one of the most important materials in various construction projects. In order to stabilize the price of concrete, the Council controls the source and coordinates with the Water Resources Agency of the Ministry of Economic Affairs to actively dredge rivers to fully supply the required sand and gravel, ensuring sufficient supply and stable prices. In addition, the price of cement has risen due to the increase in coal and shipping prices required in the cement production process. The Executive Yuan has halved the cement goods tax as a policy to assist businesses in sharing operating costs. In terms of reinforcing steel and steel sections, the Engineering Association also holds meetings to coordinate and integrate the supply and demand of steel materials and price issues, and continues to monitor the price of reinforcing steel. Moreover, the Engineering Association's engineering procurement contract template has a 3-level material price adjustment mechanism based on individual items, subcategories (including materials and labor), and total price index fluctuations to adjust the contract price, reducing the risk of price fluctuations for vendors during the performance stage to ensure smooth construction of various projects.

#### C. Commercial Offices and Factories

Global commercial real estate transactions in 2022 were approximately NT\$130.7 billion, down 13% from the previous year due to the continued impact of COVID-19 and the slowdown in economic activity and interest rate hikes. Land transactions were affected by the four quarterly interest rate hikes, and the pressure of tightening financing made land acquisition strategies more cautious and conservative. The total amount of land transactions was only NT\$171.8 billion, a drop of more than 40% compared to the past three years, which were around NT\$300 billion per year. This is not only lower than the five-year average of NT\$252.6 billion, but also lower than the ten-year average of NT\$198.4 billion.

Commercial leasing market continued to grow steadily, and the trend of rising rent and reducing vacancy rate were maintained. In recent years, corporate operations have gradually shifted towards the core concept of ESG. Therefore, commercial office buildings with environmental protection, green energy, and sustainable design concepts, or those with LEED and WELL certifications, have been replacing traditional leasing models, creating a new trend. The overall office market will move towards slow rent increases and gradual supply-demand stability in the future.

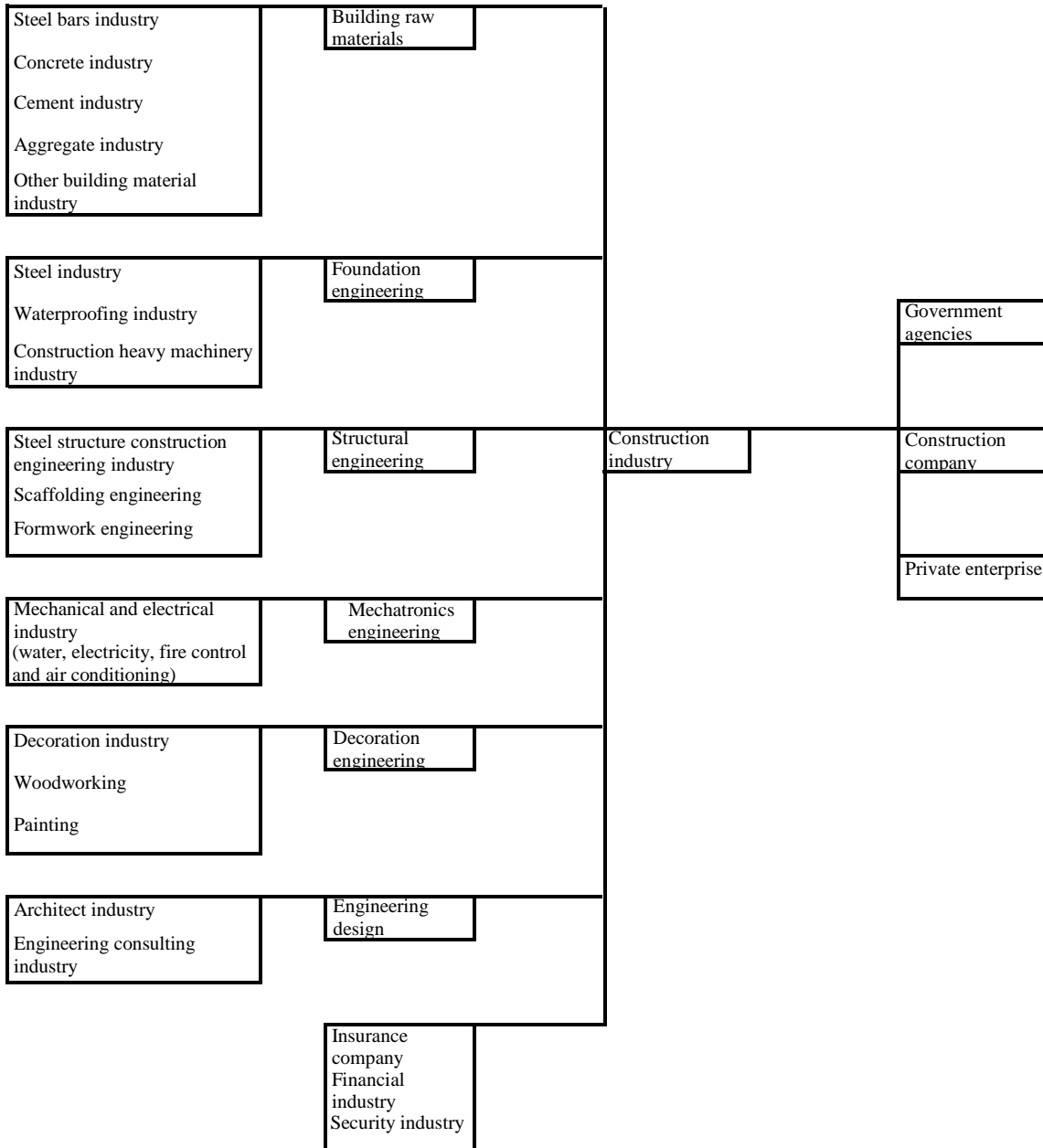


2. The relationship between upstream, midstream and downstream in the industry:

The construction is one of the links of construction industry. The links between the upstream, midstream and downstream segments of the industry supply chain are shown below.

Upstream Industry

Downstream Industry



(1) Links with the upstream industries: The fluctuation of the price of building materials, the increase of the cost of professional contractors, the increase of the labor cost resulting from the labor shortage, the increase of the machine and tools cost due to the price fluctuation are all related to the construction cost of the construction industry. And the development and prosperity of the upstream industries are deeply affected by the boom of the construction industry. Therefore, the construction industry is closely related to the upstream industries.

(2) Links with the downstream industries: According to business source, the downstream includes the government units, public and private institutions, private construction companies and other owners, who obtain business mainly through public bidding or price comparison and bargaining, in which the main business sources are public works subject to public bidding by government agencies and construction commissioned by private construction companies. Therefore, the industry boom mainly depends on the government's promotion of public works policies and the impact of the prosperity of construction industry.

3. Development Trends and Competition for the company's Products:

As the construction industry continues to move towards large scale, sophisticated design and high technical standards, large construction plants will be more competitive in terms of their bidding qualifications and conditions. According to the statistics of the Construction and Planning Agency Ministry of the Interior, the total capital of construction industry in Taiwan was about NT\$941.5 billion in the 3rd quarter of 2022, an increase of about NT\$30 billion over 2021. The annual average capital of each manufacturer was NT\$48.26 million in 2022.

The Company's capital has reached NT\$1.2 billion. Since its establishment, the company has accumulated various engineering achievements in the industry, including residential commercial offices, civil bridges, public buildings, medical buildings and science and technology factories, etc., which have been highly recognized by the owners in terms of quality and schedule control. With sound financial health, and profitability above the average level of the industry, the company retains a strong competitive advantage.

(3) Overview of Technology and R&D:

1. Overview

Kedge Development is a comprehensive construction company focused on research and development of shortening construction time, improving construction methods, reducing pollution, and enhancing efficiency. They also conduct research and improvement on the workflow of information software and hardware, and innovative technologies to achieve the goals of "improve quality, enhance efficiency, reduce costs, and promote image."

New technologies and research and development methods are developed independently by the R&D department, Information Department, and each business unit, or introduced in collaboration with partner companies. In recent years, in order to enhance the company's competitiveness, in addition to researching and improving construction technology, an ERP system has been established to manage and integrate the company's core business processes and resources. Additionally, a construction management system has been introduced to improve the efficiency of project site management. The overall information engineering continues to be introduced to various departments and sites through a cloud service model.

In addition to informatization, the Company has been committed to the development of BIM (International Building Information Modeling) and the promotion of CIM (Civil Information Modeling). In the process of BIM development, all kinds of software and hardware will be attached to BIM, and various possibilities and solutions will be offered based on the core idea of "digital", such as AR, VR, MR, Drone, image processing, IoT... etc., in order to

provide information to BIM model or extract information from BIM model for utilization. BIM provides a platform for participants to create diverse possibilities which will be converted into execution plans to improve corporate technical basis.

The development goal in recent years will continue to be based on the Group's promotion of ESG, greenhouse gas reduction, and circular economy concepts. It will use a BIM database and technology as the basis to promote cross-departmental collaboration and work towards the goal of reducing carbon emissions, waste, and saving resources.

2. R&D Plans as well as Technologies and/or Products Successfully Developed in the Most Recent Year:

Item No.	2021	2020	Implementation Results and Description
1	ERP system innovation plan-1	ERP system innovation plan-1	1. Works management system - Cloud ERP. 2. Construction works management, finance and accounting.
2	ERP system innovation plan-2	ERP system innovation plan-2	1. Team cloud collaborative system - communication platform (MS TEAMS). 2. Team cloud collaborative system - operating platform (MS OFFICE 365).
3	Mobilization of construction management system APP	Mobilization of construction management system APP	1. Quality self-inspection. 2. Quality control audit system. 3. Occupational safety and health system.
4	Face recognition access control system		Enter the application phase of the project in 2022.
5	AI-assisted occupational safety management system		Enter the application phase of the project in 2022.
6	Research on the quantitative output of BIM auxiliary engineering - tekla software system		Enter the application phase of the project in 2022.
7	Research on the introduction of UAV aerial photography image converted into numerical terrain data into BIM drawing information		Enter the application phase of the project in 2022.
8	Introduction of BIM collaborative operation platform		Enter the application phase of the project in 2022.
9	Research and development of the quantitative output of BIM auxiliary engineering - revit software system	Research and development of the quantitative output of BIM auxiliary engineering - revit software system	Strengthen the self-developed BIM structure quantity calculation APP, which can capture the number of key project items in the model.
10	Graphing output of construction drawing of BIM general modeling software Revit	BIM general modeling software Graphing output of construction drawing of Revit	Continued to develop and promote the key function of graphing of BIM construction drawings - automatic labeling.
11	Introduction of CIM (Civil Information Modeling)	Introduction of CIM (Civil Information Modeling)	Continue to introduce the various applications of CIM.

Item No.	2021	2020	Implementation Results and Description
12	Research and introduction of the BIM maintenance platform	Research and introduction of the BIM maintenance platform	1. Establish an interactive data visualization platform architecture. 2. Implement the standard version of the operational platform based on residential projects.
13	BIM, game engine, MR Glasses	BIM, game engine, MR Glasses	The BIM is combined with game engines and MR glasses to develop an application for simulating the steel structure lifting process on construction sites in the current development projects.
14		Research and development of BIM combined with greenhouse gas inventory	1. Research on the technologies for linking BIM models and databases. 2. Research on the interactive visualization interface between BIM models and data.
15		Study and implementation of circular economy	1. The project will be initiated by the Sustainable Engineering Department. 2. Obtain BS 8001 certification as the implementation direction.

#### (4) Long-term and Short-term Business Development Plans

##### 1. Short-term Plans:

- (1) Cooperate with domestic excellent construction owners to build high-quality exquisite houses and maintain the corporate image of excellent construction manufacturers.
- (2) Actively participate in the government's most favorable bidding projects and turnkey projects, get rid of the low-price bidding mode, to obtain the best profit.
- (3) Strive for targeted public works, construction engineering to maintain competitive advantage, road and bridge engineering to continue business growth, rail engineering to expand the business field, hidden shield and tunnel engineering to create emerging performance.
- (4) Combine with the Japanese construction team to enhance the construction strength.
- (5) Participate in the competition of special targeted projects.
- (6) Actively strive for urban renewal projects.
- (7) Actively participate in green energy construction projects.

##### 2. Long-term plans:

- (1) Integrate architectural design, mechanical and electrical planning, raw material production and supply, engineering consulting and other relevant industries to form a strong bidding team.
- (2) Cooperate with foreign well-known manufacturers on technology to enhance technical capabilities and move toward internationalization.
- (3) Long-term investment in research and development.
- (4) Cultivate design talents, combine with domestic famous design team to provide overall customer service.

- (5) Actively strive for large and most favorable bidding projects, turnkey projects and other policy plans to improve the technical capacity of construction engineering.
- (6) Participate in land development and create company performance growth.
- (7) Become one of the top five construction enterprises in Taiwan.
- (8) Tap into the overseas market.
- (9) Enhance brand awareness.

(II) Market, production and sales:

(1) Market analysis:

1. Geographic Areas where the main Products and Services are Provided and Supplied:

(1) The main business of the merged company is contracting for residential construction projects, civil bridge projects and hospital plant projects in Taiwan.

(2) Future planned services:

Item	Short-term Objective	Long-term Objective
Business Scope	<ol style="list-style-type: none"> <li>1. Domestic large-scale construction engineering business</li> <li>2. Domestic civil engineering business</li> <li>3. Domestic large-scale factory construction engineering business</li> <li>4. Domestic turnkey engineering business</li> </ol>	<ol style="list-style-type: none"> <li>1. Large-scale construction engineering business at home and abroad</li> <li>2. Civil engineering business at home and abroad</li> <li>3. Factory construction engineering business at home and abroad</li> <li>4. Turnkey engineering business at home and abroad</li> <li>5. Participating in domestic land development</li> </ol>

2. Market Share

Unit: NT\$one hundred million

Year	Turnover of the Merged Company	Turnover of the Construction Industry	Market Share
2018	114	23,301	0.49%
2019	115	24,806	0.46%
2020	141	26,829	0.53%
2021	108	30,732	0.35%
2022	142	35,996	0.39%

Data source: monthly financial statistics report Department of Statistics of the Ministry of Finance.

3. Future market supply/demand and growth:

(1) Supply side:

According to the statistics conducted by the Construction and Planning Agency under the Ministry of the Interior, there were 19,509 construction enterprises at all levels in Taiwan, including 3,122 class-A construction enterprises as of the third quarter of 2022. According to the statistical results, the number of construction enterprises at all levels in Taiwan increased by 243 over 2018, and the number of class-A comprehensive construction enterprises increased by 71.

(2) Demand side:

According to the government's plan for overall public construction in 2022, a total of NT\$459.6 billion will be invested. The government will continue to strengthen critical infrastructure to maintain economic growth momentum and expand domestic demand. The "forward-looking infrastructure plan" (phase 4) will continue to be implemented, promoting 8 major forward-looking and strategic infrastructure projects in rail transportation, water environment, green energy, digital infrastructure, and urban-rural development. This will accelerate public construction investment and expand infrastructure development.

4. Competitive niche:

- (1) The Company has won numerous awards from government units over the years and has a competitive advantage in the selection process of the most advantageous public works.
- (2) Sound financial structure, sufficient working capital and good corporate image are of great benefit to business contracting.
- (3) The Company has obtained ISO 9001 certification, improved the quality management system to a perfect level, and obtained the construction industry's first ISO 45001 certification in 2019.
- (4) The Company publishes CSR report every year, carries out the first type medium guarantee grade verification according to AA1000 standard, and become the first listed construction company in Taiwan that passed the certification by a third party (BSI Taiwan) and meet sustainability reporting GRI Standards, and continuously win the TCSA sustainability award.
- (5) The Company is the first enterprise in Taiwan to pass the certification of the international BIM standard (PAS 1192 - 2:2013) in 2018, and the first enterprise in Taiwan to obtain the certification of ISO 19650 of the international BIM standard in 2019.
- (6) The Company is the first construction plant in Taiwan to pass the highest level certificate of circular economy standard verified by British Standard Institution (BSI) in 2019.
- (7) With the continued accumulation of the performance in index-based turnkey projects, including convention and exhibition centers, large commercial and market buildings, sports centers, hospitals, social housing, etc., the Company is able to effectively integrate internal and external professional teams to create the maximum benefits of projects.

- (8) The Company has professional managers with rich experience and neat quality and equipped with complete consulting team (land, structure, materials, productivity, legal consultants); and employees are of younger tendency and specialization, in which 20.6% is master degree or above, and 74.6% is junior college degree or above in 2022, with an average age of 39.07 years old and average seniority of 5.03 years. There are total more than 614 people with the licenses of architect, structure technician, civil engineer, site Director, quality control, safety and health and so on. The Company is able to enhance its industrial competitiveness.
5. Favorable and adverse factors for long-term growth and response strategy:
- (1) Favorable factors:
- Possesses extensive experience in undertaking various types of domestic engineering projects, and recognized by owners for engineering quality, on-time delivery, and value-added services. In recent years, we have actively pursued general contracting projects, accumulated expertise in design integration, deepened participation in planning and design, integrated achievements in green building promotion, and enhanced sustainable value-added services.
  - Master a complete construction supply chain system. The Procurement Department is able to grasp the price fluctuation of building materials in a timely manner, actively create procurement performance, and increase shareholder profits.
  - Possesses outstanding professional and technical personnel in engineering, finance, legal and management. The comprehensive networking of information systems has improved work efficiency and promoted the digitization of construction.
  - The Company has obtained the British Standards Institute (BSI) PAS 1192-2 standard certification and international standard ISO 19650 Building Information Modeling (BIM) certification, strengthening interface integration and reducing management costs.
  - Introduce the concept of circular economy into projects, change the traditional linear thinking, and become the first construction company in Taiwan to obtain BS 8001 certification, which is conducive to enhancing the competitiveness of the Company.
  - Standardized (ISO) operations and comprehensive digitization, institutionalized project management, cooperative vendor management and bulk material procurement significantly reduce construction mobilization costs and effectively control the impact of price fluctuations.
  - Has introduced and obtained the ISO 45001 Certification of Taiwan Occupational Safety and Health Management System Standard, to reduce occupational safety management risks, and establish a quality health and safety working environment. In addition, the Company has implemented the construction management system (Q.C.D.S.E), with the goals of high quality, low cost, fast construction and zero disaster, as well as continuous and innovative breakthroughs.

- The government implements the most advantageous bidding, turnkey projects and BOT projects which has driven the economic recovery, and continuously improves the performance benefit of projects, in which the large-scale construction plants with scale and actual achievements will have a higher competitive advantage.
  - The government's efforts to promote innovative industrial models and technologies for green energy and carbon reduction will facilitate the implementation and application of public construction projects such as smart green buildings.
- (2) Unfavorable factors:
- The price of steel bar, ready-mixed concrete, aggregate and metal building materials are vulnerable to the international raw material market and transportation costs, profits are easy to be compressed.
  - Due to severe climate, the construction period is difficult to grasp, which increases the difficulty of contract performance and the risk of labor's life safety.
  - The risks of a severe shortage of human resources due to population aging, unstable supply and prices of bulk construction materials, and difficulty in controlling costs and schedules. In addition, the impact of COVID-19 makes the aggregate shortage more extensive and the price more difficult to control.
  - The trade war between China and the United States and the fluctuation of the decision made by the leaders of the United States cause confusion in the market, which affects the business strategy and increases the uncertainty of the bidding risk.
- (3) Countermeasures:
- Actively maintaining good relationships with architects, consulting companies, and other upstream companies to gain early insights into engineering planning and contracting information. Deepening cooperation with excellent downstream industry manufacturers to strengthen long-term partnerships.
  - Actively cultivate talents and improve the management ability of the most favorable bidding projects and turnkey projects, get rid of the low-price bidding mode, to obtain the best profit.
  - Build up excellent cooperative team, strengthen supply chain relationship and management. Master the fluctuation trend of bulk materials and formulate countermeasures for risk control. Introduce of foreign labor for significant projects to increase labor and human resources.



(2) Important applications and manufacturing processes of major products:

1. Usage for Main Products:

(1) Building construction:

In view of the development of domestic buildings towards refinement and traffic characteristics, the Company integrates various types of professional contractors and technicians, properly plan and prepare various types of building materials, and construct various types of building structures and decoration works for residential and office buildings by the construction management methods on time, cost and quality. At present, the constructions contracted by the Company includes Kindom Sanchong, Kindom Sanchong and Erchong Pu, Kindom Bei'an Section Public Office Urban Renewal, Kindom Rui'an Section Public Office Urban Renewal, Kindom Wanda Line LG08, Kindom Minquan East Office Renewal, Kindom Xiulang Bridge Station Construction Project, Taichung Yumao New Construction Project, and other projects, all of which showing the responsibility of Kedge Construction to the society.

(2) Public Construction:

The Company cooperated with the government in its major construction and private investment and development plans, properly planned the implementation of the overall project, given priority to public interests, effectively integrated professional contractors and other skilled workers through construction management methods, prepared various construction materials, completed various major public projects by using professional technology, drove the overall domestic economic development, and undertook civil engineering, such as Asia Silicon Valley Innovation and R&D Center Construction Project, C212 Tainan Station Underground Project, C611 Chiayi Railway Elevated Project, C612 Section Jiabei and Chiayi Railway Viaduct, Tropic of Cancer Station Projects, C61 Houlong Guanhai Bridge and Xihuxi Bridge Re-construction projects, etc.

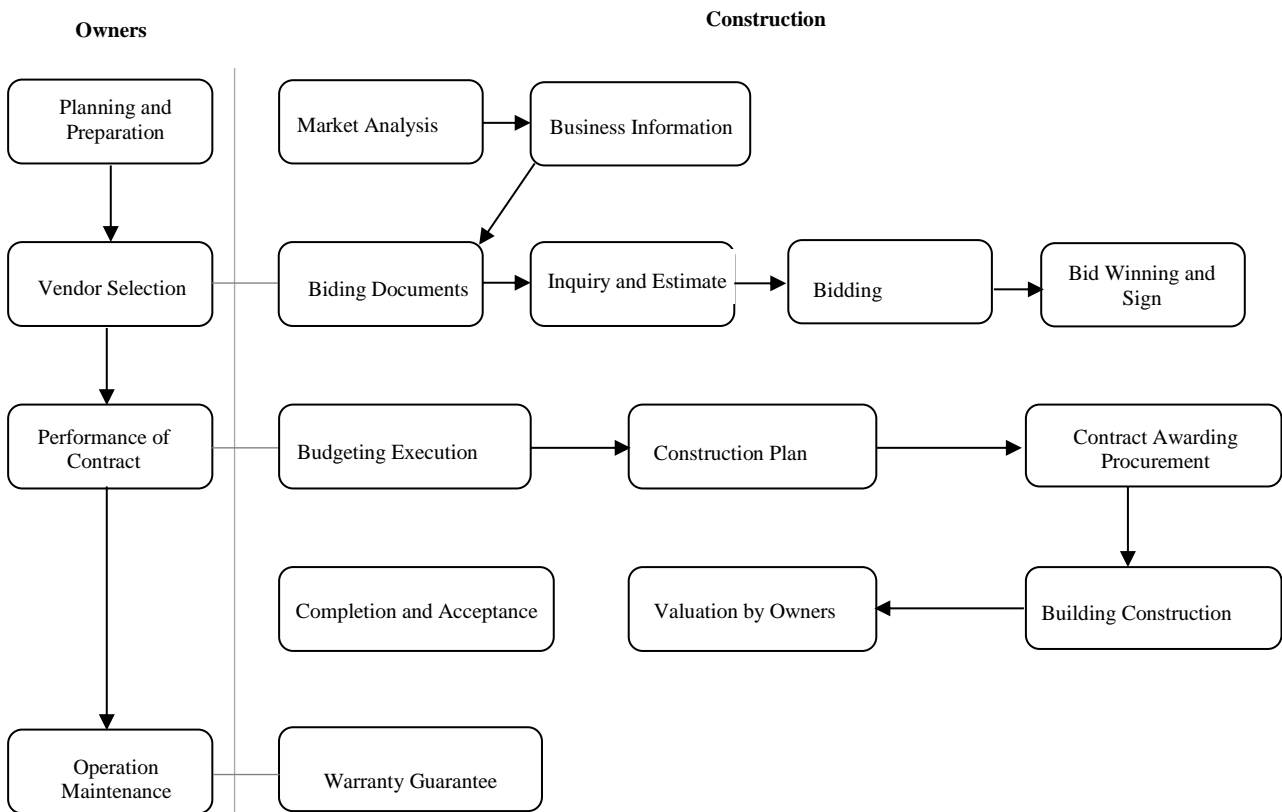
Turnkey projects are carried out to reduce engineering disputes and any waste of manpower caused by coordination and deal with disputes, since they may develop special expertise, improve construction efficiency, reduce interface integration, stimulate introduction of new technologies, new construction methods and new materials, and accelerate the construction progress of projects, and improve construction competitiveness. At present, the turnkey projects in the projects contracted by the Company include Nan Man Building and Market Re-construction Turnkey Project, Taoyuan Convention and Exhibition Center Turnkey Project, and Turnkey Project for Construction of Social Housing (Phase 1) in Zhongshan Section Taishan New Taipei City and National Army Dormitory, etc.

(3) Factory construction project:

In line with the development trend of science and technologies, and the domestic demands for 5G, IOT, and construction of high-tech plants, and the trend of Taiwanese businessmen returning to Taiwan, the Company integrates professional contractors and material suppliers to build professional plants in the most efficient construction period. Suppliers and contractors can also boost the domestic economy by investing in various industries. The engineering projects contracted include TSMC CTSP Zero-Waste Center, TSMC F18 P7 Office in Nanke Road, TSMC F18 P8 CUB Construction in

Nanke Road, TSMC AP6B CUP and Civil Engineering for Zhunan Plant, and TSMC AP6B FAB Structure and Decoration Project for Zhunan Plant.

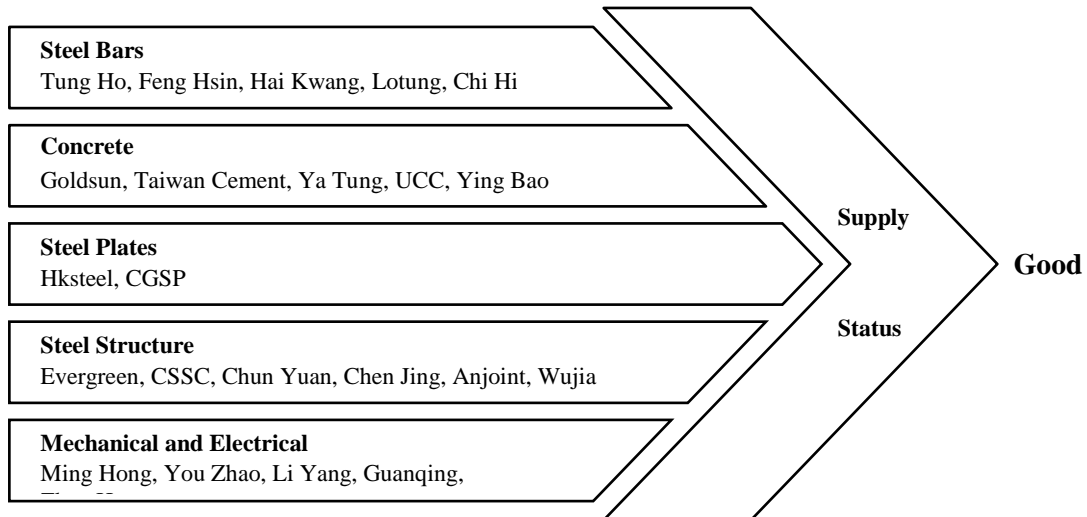
2. Manufacturing Processes for Main Products:



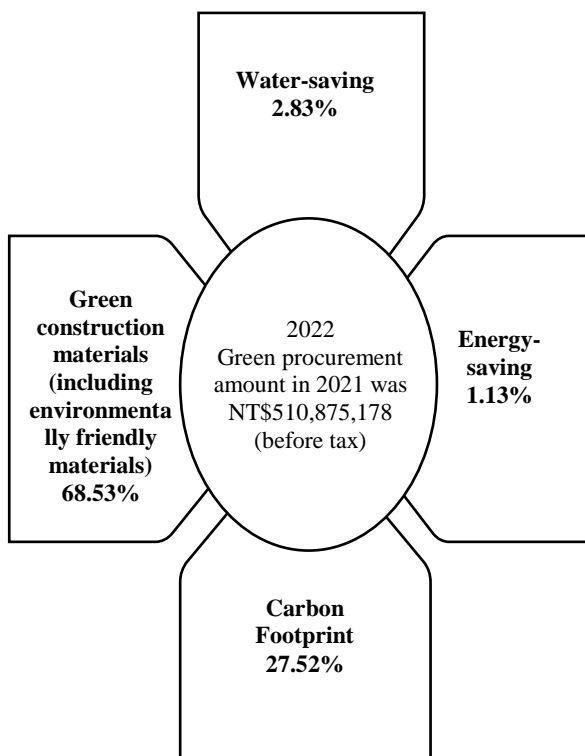
3. State of supply of major raw materials:

- (1) The main raw materials required by the merged company include steel bar, cement, premixed concrete, tile, aluminum window, steel structure, etc., which are purchased by the merged company itself except those supplied by the owner as stipulated in the contract. According to the actual material requirements of each construction project, the Company signs contracts with each supplier to clarify the engineering requirements and responsibilities before the commencement of construction, so as to master the source of goods.
- (2) When purchasing steel bars, steel plates, and other key materials, the merged company will first compare the price with that of the domestic market, and purchase in large quantities at an appropriate time; otherwise, purchase in small quantities. When awarding contract, one of the measures adopted for the fluctuation of raw materials is to get the price by quantity to ensure the excellent quality and reasonable price of raw materials. The purchase of other raw materials is all based on the international economic trends and fluctuations, and the bulk materials and manpower market forecast in the second half of the year is put forward every six months as the reference for new project bidding and cost control.

- (3) The merged company carefully selects material suppliers and construction partner manufacturers, attaches importance to their engineering experience and professional quality, and develops good partnerships based on ethical management. In addition, regular assessments and management of suppliers are conducted based on ISO procedures to guide and eliminate suppliers, in order to establish a complete, high-quality, and stable supply chain to facilitate the control of engineering quality, duration, and cost.
- (4) State of supply of major raw materials for the merged company is as follows:



- (5) In response to the issues such as green energy, environmental protection and circular economy, the merged company selects the building materials with water-saving, energy-saving, green building material, and carbon footprint certification labels according to owner's rules or recommendations upon purchase. The purchase of new building materials with green building material labels and electric scooters indicate that the Company continues to expand its adherence to green environment and sustainability, and the company will include the carbon-reducing recyclable materials purchased in the green procurement amount in the future, and actively search for, visit and use relevant manufacturers, or introduce them to the Company's construction sites in a cooperative manner to save labor, increase productivity and reduce costs.



- **Water-saving Label**

The total amount of the bids won by the enterprises which have obtained Taiwan water-saving label in accordance with the regulations of Water Resources Agency, MOEA

- **Energy-saving Label**

The total amount of the bids won by the enterprises which have obtained energy-saving label and the energy efficiency of whose products is 10-50% higher than national standards as calculated according to the calculation standards of the Bureau of Energy, Ministry of Economic Affairs, R.O.C.,

- **Carbon Footprint Certification**

The total amount of the materials that have obtained carbon footprint certification according to the regulations of the Environmental Protection Administration.

- **Green Building Materials Label**

The total amount of the materials of the enterprises which have obtained green building materials label (green building materials are classified into four types, i.e. healthy, ecological, recyclable, and high-performance materials, according to the regulations of Architecture and Building Research Institute, Ministry of the Interior, ROC (Taiwan)).

- **Environmental Label**

Based on the principles and procedures of ISO 14024 environmental protection labeling, the total amount of materials with environmental protection labels will be determined.

- (6) In order to prevent the impact of shortages of labor and materials due to the COVID-19 pandemic, a work shift database is established to understand work shift dynamics, so as to quickly support construction sites and cooperate with foreign workers to reduce the impact of manufacturers' lack of labor. For contracted materials or work shifts, the Company regularly contacts the supplier to confirm the stability of the supply. Suppliers must report immediately if they are affected by the COVID-19 pandemic, and determine the status of the imported materials affected by the COVID-19 pandemic as a countermeasure.
- (7) For each construction project, a large amount of building materials, raw materials, and manpower are required from reliable suppliers. Kedge Construction regards honest and trustworthy suppliers as business partners and takes integrity and quality as essential to support each other's sustainable operation. Therefore, we plan to hold a supplier conference in 2023 to invite long-term and excellent suppliers, including those who have made contributions to ESG (sustainable engineering, repair and circular economy, and greenhouse gas inventory), to present awards and promote company policies.

(4) A List of Any Suppliers and Clients Accounting for 10 Percent or More of the Total Amount of Goods Purchased (Sold) in Either of the Most Recent Two Years and the Amount and Proportion of the Goods Purchased (Sold), and State the Reasons for the Increase or Decrease:

1. List of Major Suppliers:

Unit: NT\$ thousand; %

Item	2021				2022				First Quarter of 2023			
	Name (Note)	Amount	Ratio to Annual Net Purchase Amount (%)	Relationship with the Issuer	Name (Note)	Amount	Ratio to Annual Net Purchase Amount (%)	Relationship with the Issuer	Name (Note)	Amount	Ratio to Annual Net Purchase Amount (%)	Relationship with the Issuer
1	Other	9,216,530	100.00	None	Other	12,604,056	100.00	None	Other	2,989,846	100.00	None
	Net purchase amount	9,216,530	100.00		Net purchase amount	12,604,056	100.00		Net purchase amount	2,989,846	100.00	

Note: There is no single supplier with more than 10% of the total purchase amount in each period.

2. List of Major Clients:

Unit: NT\$ thousand; %

Item	2021				2022				First Quarter of 2023			
	Name (Note)	Amount	Ratio to Annual Net Sales Amount (%)	Relationship with the Issuer	Name (Note)	Amount	Ratio to Annual Net Sales Amount (%)	Relationship with the Issuer	Name	Amount	Ratio to Annual Net Sales Amount (%)	Relationship with the Issuer
1	Kindom Development Co., Ltd.	2,833,231	26.30	An investment company which evaluates the Company by using equity method	Taiwan Semiconductor Manufacturing Co., Ltd.	7,861,189	55.34	None	Taiwan Semiconductor Manufacturing Co., Ltd.	1,433,866	43.84	None
2	Taiwan Semiconductor Manufacturing Co., Ltd.	2,778,712	25.79	None	Railway Reconstruction Bureau, MOTC	1,935,726	13.63	None	Railway Reconstruction Bureau, MOTC	540,663	16.53	None
3	Railway Reconstruction Bureau, MOTC	1,518,831	14.10	None	Kindom Development Co., Ltd. (Co., Ltd.)	1,844,673	12.99	An investment company which evaluates the Company by using equity method	Kindom Development Co., Ltd. (Co., Ltd.)	468,738	14.33	An investment company which evaluates the Company by using equity method
4	Other	3,641,548	33.81	None	Other	2,562,975	18.04	None	Other	827,289	25.30	None
	Net sales amount	10,772,322	100.00		Net sales amount	14,204,563	100.00		Net sales amount	3,270,556	100.00	

Description of increase or decrease:

Due to the large amount of money involved in the contracted works and the construction period of 1 to 3 years, the construction industry is characterized by the fact that the construction will be concentrated on certain customers during a certain period when the total contract amount of some projects is large and the completion ratio is used to calculate the sales volume. However, all the projects of the merged company are obtained through bidding or negotiation, and the major customers change with the construction and completion of the project. Therefore, in the medium to long term, the merged company shall be free from the risk of concentrated sales in the general manufacturing industry.

(5) Table of Production Volume and Value in Most Recent Two Years:

Unit: NT\$thousand; %

Item \ Year	2021		2022	
	Production Value	%	Production Value	%
Residential Engineering	2,748,406	29.82	1,779,139	14.12
Civil Engineering	1,339,342	14.53	1,738,420	13.79
Other Engineering	5,128,782	55.65	9,086,497	72.09
Total	9,216,530	100.00	12,604,056	100.00

Note: Yield is not applicable to the construction industry for its characteristics.

(6) Sales volume and value during most recent two years:

Unit: NT\$thousand; %

Item \ Year	2021		2022	
	Sales Value	%	Sales Value	%
Residential Engineering	2,828,862	26.26	1,844,673	12.99
Civil Engineering	1,518,831	14.10	1,941,359	13.67
Other Engineering	6,424,630	59.64	10,418,531	73.34
Total	10,772,323	100.00	14,204,563	100.00

Note: Sales volume is not applicable to the construction industry for its characteristics.

(III) Employee Information for The Most Recent Two Fiscal Years and up to The Date of Publication of the Annual Report:

Year		2021	2022	As of the current year up to March 31, 2023
Number of Employees	Engineering Personnel	410	460	448
	Administrative Personnel	118	127	117
	Total	528	587	565
Average Age		39.95	39.07	39.45
Average Service Year		5.61	5.30	5.39
Educational Distribution Ratio	PhD	0.00%	0.00%	0.00%
	Master's	22.16%	20.61%	21.77%
	Bachelor's	76.14%	74.62%	73.81%
	High school	1.70%	4.77%	4.42%
	Below Senior High School	-	-	-

(IV) Environmental protection expenditure information:

- (1) Losses due to environmental pollution during the most recent year and up to the annual report publication date:

Type	Article of violated laws and regulations	Content of violated laws and regulations	Penalty
Noise pollution	Subparagraph 4, Article 8 of the Noise Control Act	Disturbing the peace with the use of powered machinery for construction	Fine of NT\$24,000
Noise pollution	Subparagraph 3, Paragraph 1, Article 24 of the Noise Control Act	Noise exceeding regulatory standards	Fine of NT\$72,000 4 hours of environmental seminars
Waste disposal	Subparagraph 2, Article 27 of the Waste Disposal Act	Pollution of the surrounding roads or sidewalks	Fine of NT\$31,800 14 hours of environmental seminars

- (2) The estimate of possible expenses that could be incurred currently and in the future and response measures:

1. The Occupational Safety and Health Office is responsible for supervising environmental protection related matters in construction projects, and regularly participates in regular or irregular environmental protection promotion or training organized by local government environmental protection agencies. Furthermore, during the project period, relevant information regarding the project will be displayed on the project notice board to facilitate reporting of any violations by external stakeholders.
2. Continued strengthening and implementation of environmental protection measures: In addition to complying with the regulations of the construction management and environmental protection agencies of various counties and cities, we also continue to invest in major environmental pollution prevention equipment. We select low-pollution construction methods and low-noise machinery and equipment, and install noise prevention measures during the planning phase. We also require professional contractors to comply with the Management Regulations for Construction Project Air Pollution Control Facilities during the construction process. The Occupational Safety Office dispatches persons for regularly or irregularly reviews, and it will require rectification and confirm the effectiveness of the rectification in case of any defect found by it.



3. The merged company has allocated a budget for environmental protection measures to ensure that all construction projects can comply with laws and have sufficient resources to carry out environmental protection during construction. The environmental protection budget for ongoing projects and the amount spent as of December 31, 2022 are as follows:

Unit: NT\$thousand

Items of Disbursements for Environmental Protection	Budget	Disbursement	Execution Ratio
Fence	142,454	60,566	43%
Air pollution control	43,237	20,762	48%
Water pollution control	60,290	17,240	29%
Waste removal	80,065	18,586	23%
Earthwork Handling	631,219	391,014	62%
Noise/Vibration monitoring	20,843	8,702	42%
Total	978,108	516,870	52.84%

- (3) Environmental improvement measures, preventive measures, and resources invested:
  1. Based on the concept of environmental sustainability, the merged company has established relevant operating standards for the handling of waste (including waste soil), noise, air pollution, water pollution, and soil pollution, based on the characteristics of each construction project. Contractors are required to carry out environmental protection work during the construction process to reduce the occurrence of pollution and related penalties. An additional budget has been allocated for the installation of pollution prevention equipment. In 2022, a nationwide air pollution (PM10, PM2.5) and noise monitoring system was installed, which can instantly detect and address air and noise pollution, ensuring the quality of the construction environment and maintaining public health.
  2. The Occupational Safety and Health Office and designated environmental protection personnel on work sites shall ensure the implementation of all environmental protection processes, including equipment and measures that are subject to environmental regulations (e.g., Waste Disposal Act, Water Pollution Control Act, Air Pollution Control Act) and the owner's special provisions. In case of any defects, immediate improvement will be requested.
  3. Organize environmental protection training and workshops for various construction projects from time to time, and regularly send staff to participate in environmental protection workshops organized by government units to enhance the environmental awareness of employees and workers of vendors and implement the environmental protection work. Actively invite and arrange nearby residents and government inspection units to participate in the briefing of the project, so as to conduct good neighborliness, coordination and communication.
- (4) ESG goals and plans:
  1. Cooperation with government policies:
    - According to the "National Action Program for Climate Change," we plan to incorporate the CO2 emissions generated by the five stages of the construction life cycle, including building materials production and transportation, construction, construction, building use, repair and renewal, and demolition and abandonment, into the calculation and assessment of building carbon

footprint. We will strive to implement carbon labeling and carbon emission hotspot diagnosis in construction sites, and work towards achieving the goal of "carbon reduction" by using new building materials and methods, reducing transportation and consumption, and other means.

- The government's new energy policy "Energy Transformation and Electricity Reform" promotes energy conservation maximization, improving energy efficiency and gradually replacing old traditional lamps and fluorescent tubes. It is divided by area and lighting needs to achieve energy conservation.
2. Promote paperless system and building information models in an effort to reduce carbon emissions. The Company develops and prioritizes the use of supply chain vendors that participate in ESG, incorporates electrical and mechanical planning and training courses into green energy analysis courses or seminars, continues to promote the face recognition access control management system to ensure the qualification and safety of personnel entering the site, actively promotes the health of the workplace, and employs nursing staff and special professional physicians for providing the health care to the Company's employees.
  3. The merged company will take concrete action on ESG-based initiatives such as greenhouse gas inventory and verification. We are committed to completing carbon inventories for all project engineering and obtaining third-party verification within 3 years, proposing a scientific carbon reduction path within 5 years, implementing greenhouse gas inventories for work sites around Taiwan in 2022, and continuing to actively promote carbon reduction in accordance with government policies.

(V) Labor relations:

- (1) Employee Benefit Plans, Continuing Education, Training, and Retirement Systems and the Status of Their Implementation, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests
  1. Employee benefit measures:
    - (1) A Welfare Committee has been established to plan and execute various employee welfare programs. The main welfare measures and implementation are as follows: offering gift money for the Dragon Boat Festival, Mid-Autumn Festival, birthdays, marriage, and childbirth; providing subsidies for funerals, hospitalization, and injuries; providing health check ups, group insurance, and housing discounts; organizing various sports and recreational activities, such as sports day; providing occasional travel subsidies; and allocating and distributing employee remuneration according to the Company's Articles of Incorporation.
    - (2) In addition to the mandatory labor insurance, health insurance, and labor pension, the merged company also provides group insurance (life insurance, accident insurance, cancer insurance, and hospitalization insurance) for employees.

2. Continuing education and training of employee:

- (1) In 2022, the merged company actively created a learning environment by utilizing video conferencing platforms and multimedia tools, combining both offline and online training to provide a more convenient and efficient way of acquiring new knowledge. Training courses were designed based on job requirements and positions to ensure the enhancement of professional skills and the development of necessary abilities for each role, thereby retaining talented individuals and cultivating the foundation for the Company's future.
- (2) Overview of annual education and training in 2022:

Unit: NT\$thousand

Type		Hours of Course	Costs	Cost Ratio	Number of Participant	Participant ratio
Internal Training	Internal Instructor Course	53	76	3%	1,420	27%
	External Instructor Course	30	499	18%	574	11%
Middle-level Executive Training Program		9	792	28%	135	3%
Lifelong Learning	Professional Study Subsidy (License/Certificate Subsidy)	24	250	9%	24	0.0%
	Graduation Subsidy (Continuing Education of Master)	-	433	15%	Learning: 7 Graduated: 0	0.0%
General external training subsidy		313	769	27%	313	6%
Online session		65	-	0%	2,776	53%
Total		494	2,819	100%	5,242	100%

3. Code of conduct and ethics for employees:

- (1) In order to maintain order in the workplace and clearly stipulate the rights and obligations of employers and employees, all employees of the company shall abide by laws and regulations and the company's internal control system when dealing with the company's affairs, and adhere to personal integrity and social ethics standards in order to protect the company's assets, rights and interests and image.
- (2) The Company hopes that every employee can do their best to achieve the company's highest business goals and enhance their own sense of ethics. Therefore, we have established the "Code of Conduct and Ethical Corporate Management Operating Procedures and Guidelines", which covers the following areas:

- Protection of confidential information: The basic information form of employees filled in by each colleague during job hunting with an consent form signed shall only be used for collection, disposal and utilization within the company. At the time of employment, a "Statement of Employee Confidentiality" shall also be signed, promising that one shall not disclose any business secrets of the company during the period of employment or after dimission.
- Prohibition of seeking personal gain: Each colleague shall not use the company's property, information or position for personal gain, and shall not run the same business for himself or for others.
- Shall not solicit improper interests: Each colleague shall not claim a gift, kickback, entertainment or other improper interests from the company's vendors. The executives shall not accept any form of financial gift from his/her subordinates.
- Rules of fair trade: Each colleague shall treat the Company's supplier (clients) of goods purchased (sold), competitors and employees fairly.
- Prohibition of insider trading: Each colleague shall not use the insider information obtained from the execution of the business for the interests of others or for personal gain. The financial business information of the company shall not be published arbitrarily without permission or before disclosure, so as not to affect the rights and interests of other shareholders.

#### 4. Retirement plan:

- (1) The Company has formulated a retirement policy for the formal employed employees, and the retirement conditions, pension payment and calculation method of employees shall be handled in accordance with the Labor Standards Act, the Labor Pension Act and the relevant laws and regulations.
- (2) For employees under the new pension system, labor pension fund contributions shall be made on a monthly basis at a rate not less than 6% of the employee's monthly salary and to the individual labor pension accounts at the Bureau of Labor Insurance. The Company also sets aside a retirement reserve for employees who choose to apply the old system or retain some of their seniority, with a monthly contribution of 3% of their total monthly salary. In accordance with the Labor Standards Act, the retirement reserve is supplemented by the Company, and the fund is stored in a designated account with the Bank of Taiwan.

#### 5. Workplace safety and health:

- (1) The merged company is committed to providing employees with a safe, healthy, and comfortable working environment. The company was awarded the "ISO 45001 Occupational Health and Safety Management System" certification by the international verification organization SGS on December 2, 2018, and the first TAF certificate in the domestic construction industry. The system tracking verification has been carried out every year (2019 to 2023) and has passed the verification, and it is specified that all departmental ISO45001 occupational safety and health management system procedures, standard books, and other documents must be comprehensively reviewed, reviewed, and revised before the third quarter of each year. The Company has completed annual inspection and review on and amendment to ISO45001 occupational safety and health management system procedures and standards

before the end of October 2022, and these procedures and standards will be implemented after the amendment.

- (2) The Company plans and continues to provide various safety and health education and training, publicity, competitions and drills every year. The Company has formulated the annual employee health promotion plan and subsidized health check-ups in accordance with the law, and the implementation results are as follows:

- Follow relevant laws and regulations and actively participate in relevant organizations:

The Company complies with relevant occupational safety and health laws and regulations, and adjusts and responds accordingly. We actively participate in activities organized by the Occupational Safety and Health Administration of the Ministry of Labor and various labor inspection units, including the "Construction Industry Site Independent Management Strategic Alliance" and the "Construction Industry Occupational Safety and Health Promotion Association" in various project locations. We attend regular meetings and safety observation trips.

- Formulation of occupational safety and health management related plan:

Each project has a specific occupational safety and health management plan, and a dedicated unit and personnel are assigned to implement it. Facilities and equipment that meet legal standards are set up and regularly inspected and maintained to improve the safety of workers on construction sites. Additionally, personal protective equipment is reviewed and improved comprehensively.

- Provide staff with occupational safety and health education and training, promotion, competition, and disaster prevention drills periodically:

The Company encourages employees to obtain professional safety and health-related certifications, such as safety and health managers, construction industry safety and health business managers, etc. We established safety and health QR code inspections and evaluation methods to enhance the ability of site autonomous management and organize relevant education and training courses from time to time, such as ISO 45001 internal auditor training, risk assessment training courses, and Taiwan occupational safety card training.

- (3) Preventive measures taken to ensure a safe working environment and maintain employee safety:

- Self-management: Each construction project has a occupational safety and health management plan, which is developed, planned, supervised, promoted and guided by the occupational safety and health management unit (personnel) that has been established and reported. This includes controlling personnel, machinery and materials entering the site; regularly inspecting all construction, machinery and equipment and keeping detailed records, providing construction drawings and calculation sheets approved by professional technicians for implementation, and requiring operations supervisors from partner companies to supervise and direct operations on-site.
- Qualified and sufficient first aid personnel are designated for each construction project. They are responsible for the investigation of medical

and rescue units and systems around the construction site, notification procedures, and hospital transport routes included in the emergency response plan.

- Each construction project site involves operations related to noise, elevated work, welding with electricity or gas, dust, electrical work, and confined spaces. To ensure safety, relevant operation and safety control measures are formulated, including entry and exit permits, inspection and maintenance of protective equipment, and emergency response measures.
- (4) The review, improvement, and preventive measures for occupational accidents of the merged company in 2022:

Year	2019	2020	2021	2022
Number of work-related death accidents	0	0	2	2
Number of injury accidents occurred to 3 persons	0	0	0	0
Number of injury accidents requiring hospitalization occurred to more than 1 persons	1	11	1	4

- In 2022, there were two cases of occupational accidents leading to death among contractors. After reviewing the causes of the hazards, it was found that they were caused by "falling" and "being clamped". The company has taken measures to improve the situation on-site, and the improvements have been approved by the labor inspection unit in charge of the project.
  - Stipulated management measures: Clearly define the responsibility allocation table for project site engineers to implement occupational safety and health management responsibilities; increase inspections for high-altitude operations, assign engineers and supervisors to monitor them; promote occupational safety and health checkpoints and QR code inspections in construction areas; assist incoming workers to obtain occupational safety cards; provide appropriate rewards for contractors and occupational safety personnel; strengthen inspection frequency according to the work progress and risk level of each project; and hold monthly occupational safety meetings for the engineering department, chaired by the chairman and general manager, to review occupational safety risks and countermeasures.
- (5) As of May 1, 2022, the "Labor Occupational Accident Insurance and Protection Act" was implemented, and the merged company has required subcontractors to purchase labor insurance for their employees and provide group insurance with a coverage of at least NT\$5 million in their contracts to ensure compliance with the law and strengthen protection.

(6) Information related to occupational accidents of the merged company in 2022:

Type	Number of Disabled Persons	Total Days Lost	Experienced Working Hours	Disabling Frequency Rate (FR)	Disabling Severity Rate (SR)	Frequency-Severity Indicator (FSI)
Kedge's employee	0	0	1,334,306	0	0	-
Foreign worker	0	0	397,072	0	0	-
Dispatch employee	1	6,000	308,128	3.24	19472	7.94
Third-party worker	5	6,028	4,155,208	1.20	1450	1.31
Total	6	12,028	6,194,714	0.96	1941	1.36

- 28 days lost due to injury occurred to third-party worker (May 7, July 25, September 30, and December 14, 2022);
- 6000 days lost due to death occurred to third-party worker (January 21 and August 12, 2022) \* 2=12,000 days
- Disabling Frequency Rate (FR) = Number of Disabled Persons / Experienced Working Hours \* 1,000,000
- Disabling Severity Rate (SR) = Total Days Lost / Experienced Working Hours \* 1,000,000
- Frequency-Severity Indicator (FSI) = (Disabling Frequency Rate (FR) X Disabling Severity Rate (SR) / 1,000) ^ 0.5

6. Promoting a healthy workplace:

(1) The Company complies with the "Labor Health Protection Regulations" and provides employees with one health check-up per year. We also established a health service plan for workers according to the law, including prevention plans for abnormal workloads that may lead to diseases, human hazards, illegal infringement, and heat hazards, as well as a maternal employee health protection plan. We provide related health education courses to enhance health knowledge and promote workplace health.

(2) COVID-19 prevention and care:

During 2022, in response to the COVID-19 pandemic, the company prioritized employee health and implemented various measures to prevent the spread of the virus, including regular disinfection of the work environment, providing all employees with rapid screening tests and masks, and offering health care and care packages to confirmed cases. During the pandemic, work from home and rotating shifts were implemented, and the Company encouraged staff to administer vaccines, provided fully-paid leave for employees to administer vaccines, and effected anti-epidemic insurance, vaccine insurance, etc. to protect their health in an all-round way, so that employees can work and start a family and business without worry to minimize risks.

(2) Any Losses Suffered by the company in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Labor Disputes, and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken: None.

1. As the company has always attached great importance to labor relations, there is no loss caused by labor disputes at present, so no loss is expected to be incurred at present and in the future.
2. The estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:
  - (1) Establish interactive communication and appeal channels. In order to protect all employees from physical or mental unlawful infringement when performing their duties, the company provides the complaint channels of Occupational Safety and Health Office and the Human Resources Department, encourages colleagues to adopt the established internal complaint handling system for such disputes, and will make every effort to provide additional assistance if required.
  - (2) Comply with relevant labor laws and regulations and strengthen welfare measures. In view of the improvement of labor welfare in recent years, the company has set up and improved the mechanism to protect the physical and mental health of employees in accordance with relevant labor laws and regulations.

(VI) Information security management:

- (1) Describe the information security risk management structure, information security policies, specific management solutions, and resources invested in information security management
  1. Information Security Risk Management Structure
    - (1) The Company's unit responsible for information security is an independent operating unit called the Information Department. Under this unit, there is one dedicated information supervisor, one information security supervisor, and one information security engineer who are responsible for planning and implementing information security operations, promoting and enforcing information security policies, and reporting the execution of information security to the Board of Directors every year. The information security risk management of the Company is carried out in accordance with the "Emergency Response Management Measures for Group Information Services" issued by the General Management Department of Kindom Group. The supervisor of the Company's Information Department serves as the convener of the information security incident response team, which is responsible for disaster control, damage assessment, the centralized reporting window, and command of information system disaster recovery operations.
    - (2) The Company's Audit Office has included "Control of Information Security Checks" in its annual audit plan and conducts audit operations. If any deficiencies, or existing or potential risks are found, the audited units and cooperative units are requested to review them and propose specific improvement plans and schedules, and regularly track the progress of improvements to ensure the implementation of the Company's information security policies.



## 2. Information security policy

The Company's information security policy follows the "Group Information Security Policy" issued by General Management Office of Kindom Group. We identified relevant risks and security regulations to protect the security of our information resources accordingly. The Company's information security policy applies to all information and data saved in electronic form, including all information newly created, received, stored, printed, or inputted, as well as information application services and systems that create, use, manage, and store information and data. The policy covers the following areas and is announced on the internal portal of the Company, which all employees at all levels must understand and comply with:

- (1) Information security principles
- (2) Roles and responsibilities of information management
- (3) Information Security Management Mechanisms
- (4) Information security management measures

The operating model for information security management in the Company adopts the PDCA (Plan-Do-Check-Act) approach to ensure that it is consistent with the objectives of the information security policy and to achieve continuous improvement.

## 3. Information management solutions

The information security risk management of the Company is carried out in accordance with the "Group Information Security Management Principles" issued by the General Management Department of Kindom Group. The Kedge Information Department plans various information security operation procedures and job responsibilities, assigns personnel to execute them, and the information department supervisor supervises and inspects the execution results. The Company's information security management mechanisms include the following four aspects:

- (1) Information security protection: In order to prevent various external information security threats, in addition to adopting a multi-layered network architecture design, various information security protection systems are established to enhance the overall security of the information environment. To protect information resources from virus or other malicious software intrusion attacks, all information systems must monitor potential security vulnerabilities, and every year hire external professional information security consultants to perform security vulnerability scanning and information service penetration testing in accordance with the group's information security policy, and effectively strengthen the security vulnerabilities.
- (2) Information security response: In order to improve the company's response speed and recovery capability in the event of a security incident, the Company has set up an abnormality monitoring system for information security, which allows security personnel to receive abnormality alerts and understand relevant threat information in real time. Complete backup plans have been established for all information systems, services, and databases. The relevant backup data is also stored on a credible cloud service platform to implement off-site backup management. The Company conducts annual disaster recovery drills for our major services to ensure the Company's ability to recover from security incidents.

- (3) Governance: The Company has established internal information security regulations and policies to regulate the information security behavior of all employees. We review these policies regularly to ensure compliance with laws, regulations, and changes in the operating environment, and revise them as needed based on the implementation and needs.
- (4) Education: Every year, regular information security training courses are held, with new employees required to attend. Social engineering drills are also conducted to continuously strengthen employee awareness of information security and personal information protection, and to ensure compliance with the Company's information security policies.

#### 4. Resources invested in information security management

The Company actively promotes information applications and digital transformations, and also attaches great importance to information security and personal information protection. In 2022, a budget of approximately NT\$15 million (an average of NT\$25,000 per employee) was allocated for the establishment of hardware and software related to information security and the enhancement of information security services, including but not limited to the following items:

- (1) Computer antivirus software and endpoint defense systems (EDR)
  - (2) Computer hardware management system
  - (3) Multi-factor identity authentication mechanism for users
  - (4) Implementation of a Website Application Firewall (WAF)
  - (5) Implementation of email security gateways and email protection systems.
  - (6) Annual Social Engineering Drills
  - (7) Implementation of privileged access management system for user computers
  - (8) Establishment of SSL VPN
  - (9) Outsource vulnerability detection and penetration testing of information systems annually
  - (10) Adopt data leak prevention (DLP) software
  - (11) Conduct annual disaster recovery drills for major information services
- (2) In the most recent year, and as of the printing date of the annual report, if the damages, possible effects, and response measures of major information security incidents cannot be reasonably estimated, the reason for being unable to provide a reasonable estimation should be explained.

There were no major information security incidents or losses in the most recent year and up to the Annual Report publication date.

## (VII) Important contracts:

April 4, 2023

Nature of Contract	Party	Contract Duration	Contract Content
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2023	New construction of Zhongxing Section, Sanchong District, New Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2023	New construction of the urban renewal project for Ruian Section, Da'an District, Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2024	New construction of the National Highway Section, Zhonghe District, New Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2024	Investment in development of land for Xiulang Bridge Station of Ring Line in New Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2025	Construction of new office buildings on three lands, such as the land located at No. 363-1, the 4th Section, Dunhua Road, Songshan District, Taipei City, etc.
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2026	New construction projects of retail stores, general offices, indoor swimming pools, and residential buildings in Beitung District, Taichung City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2027	New Kindom construction project in Zhixing Section of Wanhua
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2026	Land and office building development for the Taichung Mass Rapid Transit System Wuri-Wenxin-Beitun Line Sihwei Elementary School Station in the Taichung metropolitan area
Construction Contract	New Construction Office, Public Works Department, Taipei City Government	Estimated completion year: 2023	Turnkey project of South Gate Market and Nanhu Elementary School Sports Center
Construction Contract	Central Engineering Office of Railway Bureau, MOTC	Estimated completion year: 2025	Undergrounding project of the Tainan Station of the C212 Section
Construction Contract	Office of Public Construction, Taoyuan City	Estimated completion year: 2023	Turnkey project of Taoyuan Convention and Exhibition Center
Construction Contract	Northern Engineering Office of Railway Bureau, MOTC	Estimated completion year: 2026	C611 Standard Chiayi Project Railway Viaduct and Under-bridge Plane Road Engineering

Nature of Contract	Party	Contract Duration	Contract Content
Construction Contract	National housing and urban regeneration	Estimated completion year: 2025	Turnkey Project for Construction of Social Housing (Phase 1) in Zhongshan Section Taishan New Taipei City and National Army Dormitory
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	Estimated completion year: 2023	New construction of TSMC Zhongke Zero Waste Center
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	Estimated completion year: 2023	New construction of TSMC F18P8CUP
Construction Contract	Directorate General of Highways, MOTC	Estimated completion year: 2025	C61 Houlong Guanhai Bridge and Xihuxi Bridge re-construction project
Construction Contract	Central Engineering Office of Railway Bureau, MOTC	Estimated completion year: 2026	Chiayi Urban Railway Elevated Project C612 Section Jiabei and Chiayi Railway Viaduct and Tropic of Cancer Station projects
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	Estimated completion year: 2023	New Construction of Phase II of TSMC Zhunan Advanced Packaging and Testing Plant 6 (FAB)
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	Estimated completion year: 2023	New Construction of Phase II of TSMC Zhunan Advanced Packaging and Testing Plant 6 (CUP)
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	Estimated completion year: 2023	New construction of TSMC F18P7Office
Construction Contract	Taoyuan Aerotropolis Co., Ltd.	Estimated completion year: 2027	Asia Silicon Valley Innovation and R&D Center Construction Project

## Chapter 6. Financial Information

### (I) Condensed Balance Sheet, Comprehensive Income Statement for the Most Recent Five Years and the Auditor's Opinions:

#### (1) Condensed Balance Sheet

##### 1. Consolidated Financial Statement:

Unit: NT\$thousand

Item	Year	Financial Information of the Most Recent Five Years					Financial Data as of March 31 of the Current Fiscal Year (2023) (Note 2)
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Current Assets		6,544,742	7,708,041	8,752,989	8,531,294	11,146,094	10,798,179
Property, Plant, and Equipment		63,438	63,116	133,739	102,647	160,593	162,159
Intangible Assets		-	-	-	-	-	-
Other Assets		375,603	505,691	546,928	643,802	492,005	485,891
Total Assets		6,983,783	8,276,848	9,433,656	9,277,743	11,798,692	11,446,229
Current Liabilities	Before Distribution	4,368,826	5,427,525	6,202,049	5,576,580	7,416,157	6,887,873
	After Distribution	4,686,933	5,745,632	6,583,777	5,852,273	(Note 3)	-
Non-current Liabilities		82,035	108,201	162,329	190,024	196,104	196,047
Total Liabilities	Before Distribution	4,450,861	5,535,726	6,364,378	5,766,604	7,612,261	7,083,920
	After Distribution	4,768,968	5,853,833	6,746,106	6,042,297	(Note 3)	-
Equity Attributable to the Owners of Parent Company		2,532,798	2,740,961	3,069,109	3,510,933	4,186,245	4,362,121
Share Capital		1,060,357	1,060,357	1,060,357	1,060,357	1,166,392	1,166,392
Capital Reserve		518,208	518,241	518,294	518,401	518,540	518,634
Retained Earnings	Before Distribution	951,056	1,036,204	1,345,805	1,702,978	2,372,019	2,539,315
	After Distribution	632,949	718,097	964,077	1,427,285	(Note 3)	-
Other Equity		3,177	126,159	144,653	229,197	129,294	137,780
Treasury Stocks		-	-	-	-	-	-
Non-controlling Equity		124	161	169	206	186	188
Total Equity	Before Distribution	2,532,922	2,741,122	3,069,278	3,511,139	4,186,431	4,362,309
	After Distribution	2,214,815	2,423,015	2,687,550	3,235,446	(Note 3)	-

Note 1. The financial data from 2018 to 2022 has been audited and attested by the CPAs.

Note 2. The financial data as of March 31, 2023 has been reviewed by the CPAs.

Note 3. The earnings distribution plan for the year 2022 has not been resolved and adopted by the shareholders' meeting.

2. Individual Financial Statements:

Unit: NT\$thousand

Item	Year	Financial Information of the Most Recent Five Years					Financial Data as of March 31 of the Current Fiscal Year (2023) (Note 2)
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Current Assets		6,242,028	7,368,798	8,385,273	8,167,811	10,774,805	-
Property, Plant, and Equipment		53,501	53,254	123,952	92,934	150,955	-
Intangible Assets		-	-	-	-	-	-
Other Assets		575,373	724,629	780,664	940,653	802,763	-
Total Assets		6,870,902	8,146,681	9,289,889	9,201,398	11,728,523	-
Current Liabilities	Before Distribution	4,257,290	5,302,984	6,063,626	5,505,421	7,354,546	-
	After Distribution	4,575,397	5,621,091	6,445,354	5,781,114	(註 3)	-
Non-current Liabilities		80,814	102,736	157,154	185,044	187,732	-
Total Liabilities	Before Distribution	4,338,104	5,405,720	6,220,780	5,690,465	7,542,278	-
	After Distribution	4,656,211	5,723,827	6,602,508	5,966,158	(Note 3)	-
Share Capital		1,060,357	1,060,357	1,060,357	1,060,357	1,166,392	-
Capital Reserve		518,208	518,241	518,294	518,401	518,540	-
Retained Earnings	Before Distribution	951,056	1,036,204	1,345,805	1,702,978	2,372,019	-
	After Distribution	632,949	718,097	964,077	1,427,285	(Note 3)	-
Other Equity		3,177	126,159	144,653	229,197	129,294	-
Treasury Stocks		-	-	-	-	-	-
Total Equity	Before Distribution	2,532,798	2,740,961	3,069,109	3,510,933	4,186,245	-
	After Distribution	2,214,691	2,422,854	2,687,381	3,235,240	(Note 3)	-

Note 1. The financial data from 2018 to 2022 has been audited and attested by the CPAs.

Note 2. No individual financial statements have been issued as of March 31, 2023.

Note 3. The earnings distribution plan for the year 2022 has not been resolved and adopted by the shareholders' meeting.

## (2) Condensed Comprehensive Income Statement

## 1. Consolidated Financial Statement:

Unit: NT\$thousand

Item	Year	Financial Information of the Most Recent Five Years					Financial Data as of March 31, 2023, of the Current Fiscal Year (Note 2)
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Operating Revenue		11,429,192	11,462,442	14,130,629	10,772,322	14,204,563	3,270,556
Gross Operating Profit		728,873	718,161	1,058,311	1,191,353	1,600,507	280,710
Net Operating Income		502,819	470,381	769,772	875,665	1,282,072	200,135
Non-operating Income and Expenses		14,380	29,533	12,420	47,382	43,699	9,051
Net Income before Tax		517,199	499,914	782,192	923,047	1,325,771	209,186
Continuing business units		517,199	499,914	782,192	923,047	1,325,771	209,186
Current Net Income							
Loss from Discontinued Operating		-	-	-	-	-	-
Current Net Income		407,513	402,356	626,444	740,492	1,047,936	167,296
Other Comprehensive Income in the Current Period (Net after Tax)		(326)	123,918	19,766	82,990	(97,090)	8,488
Total Current Comprehensive Income		407,187	526,274	646,210	823,482	950,846	175,784
Net profits attributable to owners of the parent company		407,506	402,348	626,440	740,476	1,047,933	167,296
Profit attributable to non-controlling interests		7	8	4	16	3	-
Total comprehensive income attributable to owners of the parent company		407,180	526,237	646,202	823,445	950,866	175,782
Total comprehensive income attributable to Non-controlling Equity		7	37	8	37	(20)	2
Earnings Per Share (NT\$)		3.84	3.79	5.91	6.98	8.98	1.43

Note 1. The financial data from 2018 to 2022 has been audited and attested by the CPAs.

Note 2. The financial data as of March 31, 2023 has been reviewed by the CPAs.

2. Individual Financial Statements:

Unit: NT\$thousand

Item \ Year	Financial Information of the Most Recent Five Years					Financial Data as of March 31, 2023, of the Current Fiscal Year (Note 2)
	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Operating Revenue	11,318,212	11,362,618	14,103,408	10,720,013	14,175,364	-
Gross Operating Profit	695,070	694,751	1,045,153	1,176,489	1,586,711	-
Net Operating Income	483,211	460,038	770,471	872,150	1,279,878	-
Non-operating Income and Expenses	28,153	35,105	10,043	49,211	42,277	-
Net Income before Tax	511,364	495,143	780,514	921,361	1,322,155	-
Current Net Income from Continued Operating	511,364	495,143	780,514	921,361	1,322,155	-
Loss from Discontinued Operating	-	-	-	-	-	-
Current Net Income	407,506	402,348	626,440	740,476	1,047,933	-
Other comprehensive income in the current period (net income after tax)	(326)	123,889	19,762	82,969	(97,067)	-
Total Current Comprehensive Income	407,180	526,237	646,202	823,445	950,866	-
Earnings Per Share (NT\$)	3.84	3.79	5.91	6.98	8.98	-

Note 1. The financial data from 2018 to 2022 has been audited and attested by the CPAs.

Note 2. No individual financial statements have been issued as of March 31, 2023.

(3) Name of CPA and Auditors' Opinions for the past 5 fiscal years:

Year	CPA	Audit Opinion
2018	Ti-Nuan, Chien, Shu-Ying, Chang	Unqualified opinion
2019	Ti-Nuan, Chien, Shu-Ying, Chang	Unqualified opinion
2020	I-Lien Han, Ti-Nuan. Chien	Unqualified opinion
2021	I-Lien Han, Ti-Nuan. Chien	Unqualified opinion
2022	I-Lien Han, Kuo-Yang Tseng	Unqualified opinion



## (II) Most Recent 5-Year Financial Analysis

### (1) Consolidated Financial Statement:

Analysis Item		Year	Financial analysis for the most recent five years					As of the current year up to March 31, 2023 (Note 2)
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)		
Financial structure	Debt-to-asset ratio (%)	63.73	66.88	67.46	62.16	64.52	61.89	
	Ratio of long-term capital to property, plant, and equipment (%)	4,122.07	4,514.42	2,416.35	3,605.72	2,728.97	2,811.04	
Solvency	Current ratio (%)	149.81	142.02	141.13	152.98	150.29	156.77	
	Quick ratio (%)	118.03	108.85	116.38	112.74	123.00	131.67	
	Interest coverage ratio (times)	259.34	235.70	260.95	634.53	314.94	112.03	
Operating ability	Accounts receivable turnover rate (times)	3.59	3.56	4.82	4.63	6.62	4.91	
	Average days for cash receipts	101.67	102.52	75.72	78.83	55.13	74.33	
	Inventory turnover rate (times)	0.82	0.79	0.84	0.71	0.99	0.64	
	Accounts payable turnover rate (times)	3.69	3.06	3.25	2.25	2.75	2.66	
	Average days for sale of goods	445	462	434.52	514.08	368.68	570	
	Property, plant, and equipment turnover rate (times)	179.65	181.15	143.56	91.14	107.92	81.07	
	Total assets turnover rate (times)	1.68	1.50	1.60	1.15	1.35	1.13	
Profitability	Return on assets (%)	6.02	5.30	7.10	7.93	9.98	5.81	
	Return on equity (%)	16.68	15.26	21.56	22.51	27.23	15.66	
	Ratio of income before tax to paid-in capital (%)	48.78	47.15	73.77	87.05	113.66	71.74	
	Net profit margin (%)	3.57	3.51	4.43	6.87	7.38	5.12	
	Earnings per share (NT\$)	3.84	3.79	5.91	6.98	8.98	1.43	
Cash flows	Cash flow ratio (%)	(Note 3)	25.06	32.02	4.79	12.53	(Note 3)	
	Cash flow adequacy ratio (%)	114.23	161.03	294.85	88.21	239.56	400.53	
	Cash reinvestment ratio (%)	(Note 3)	36.37	51.20	(Note 3)	14.71	(Note 3)	
Leverage	Operating leverage	1.45	1.53	1.37	1.36	1.25	1.40	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.01	
Reasons for changes over 20% in financial ratios in the most recent 2 fiscal years:								
<ol style="list-style-type: none"> <li>Ratio of long-term capital to property, plant and equipment, and property, plant and equipment turnover rate: Mainly caused by increased overall profits, shareholders' equity, and the addition of other equipment valued at NT\$21,109 thousand in 2022.</li> <li>Interest coverage ratio: Mainly due to the increase in short-term borrowings to support business growth in the 2022 fiscal year, leading to the growth of interest expenses exceeding that of net profit before tax.</li> <li>Accounts receivable turnover rate and average cash collection days: Mainly due to the growth of business scale and the peak period of investment in some projects. The growth of the business scale and stable project investments led to the operating revenue being larger than the accounts receivable.</li> <li>Inventory turnover rate, accounts payable turnover rate, and average cash days of sales: Mainly due to the growth of business scale in 2022 and the increased operating costs compared to the previous year, leading to the increase in sales cost being greater than the accounts payable.</li> <li>Return on assets, return on equity, ratio of net profit before tax to paid-in capital, and earnings per share: Mainly due to the overall increase in profits in 2022 and net profit after tax increasing with the business scale.</li> <li>Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Mainly due to the growth in business scale in 2022 and the increase in net cash flow from operating activities in the most recent 5 fiscal years.</li> </ol>								

## (2) Individual Financial Statements:

Analysis Item		Year	Financial analysis for the most recent five years					As of the current year up to March 31, 2023 (Note 2)
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)		
Financial structure	Debt-to-asset ratio (%)	63.14	66.35	66.96	61.84	64.31	-	
	Ratio of long-term capital to property, plant, and equipment (%)	4,885.16	5,339.87	2,602.83	3,976.99	2,897.54	-	
Solvency	Current ratio (%)	146.62	138.96	138.29	148.36	146.51	-	
	Quick ratio (%)	114.44	105.81	113.37	107.95	119.56	-	
	Interest coverage ratio (times)	256.43	242.18	267.02	666.72	319.44	-	
Operating ability	Accounts receivable turnover rate (times)	3.59	3.55	4.81	4.62	6.62	-	
	Average days for cash receipts	101.67	102.81	75.88	79.00	55.13	-	
	Inventory turnover rate (times)	0.82	0.79	0.85	0.71	0.99	-	
	Accounts payable turnover rate (times)	3.83	3.15	3.33	2.29	2.79	-	
	Average days for sale of goods	445	462	429.41	514.08	368.68	-	
	Property, plant, and equipment turnover rate (times)	210.98	212.87	159.18	98.85	116.24	-	
	Total assets turnover rate (times)	1.70	1.51	1.62	1.16	1.35	-	
Profitability	Return on assets (%)	6.13	5.38	7.21	8.02	10.05	-	
	Return on equity (%)	16.68	15.26	21.56	22.51	27.23	-	
	Ratio of income before tax to paid-in capital (%)	48.23	46.70	73.61	86.89	113.35	-	
	Net profit margin (%)	3.60	3.54	4.44	6.91	7.39	-	
	Earnings per share (NT\$)	3.84	3.79	5.91	6.98	8.98	-	
Cash flows	Cash flow ratio (%)	(註 3)	24.98	31.75	5.69	12.55	-	
	Cash flow adequacy ratio (%)	107.93	161.03	437.88	133.87	276.79	-	
	Cash reinvestment ratio (%)	(註 3)	35.22	49.44	(註 3)	14.60	-	
Leverage	Operating leverage	1.44	1.51	1.36	1.35	1.24	-	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	-	

Reasons for changes over 20% in financial ratios in the most recent 2 fiscal years:

- Ratio of long-term capital to property, plant and equipment, and property, plant and equipment turnover rate: Mainly caused by increased overall profits, shareholders' equity, and the addition of other equipment valued at NT\$21,109 thousand in 2022.
- Interest coverage ratio: Mainly due to the increase in short-term borrowings to support business growth in the 2022 fiscal year, leading to the growth of interest expenses exceeding that of net profit before tax.
- Accounts receivable turnover rate and average cash collection days: Mainly due to the growth of business scale and the peak period of investment in some projects. The growth of the business scale and stable project investments led to the operating revenue being larger than the accounts receivable.
- Inventory turnover rate, accounts payable turnover rate, and average cash days of sales: Mainly due to the growth of business scale in 2022 and the increased operating costs compared to the previous year, leading to the increase in sales cost being greater than the accounts payable.
- Return on assets, return on equity, ratio of net profit before tax to paid-in capital, and earnings per share: Mainly due to the overall increase in profits in 2022 and net profit after tax increasing with the business scale.
- Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Mainly due to the growth in business scale in 2022 and the increase in net cash flow from operating activities in the most recent 5 fiscal years.

Note 1. The financial data from 2018 to 2022 has been audited and attested by the CPAs.

Note 2. The financial data as of March 31, 2023 has been reviewed by the CPAs, but no individual financial statement has been issued.

Note 3. Operating activities are net cash outflows, thus the relevant ratios are not calculated.

Note 4. The formula is as follows:

1. Financial Structure

(1) Debt asset ratio = total liabilities / total assets.

(2) Long-term fund to property, plant and equipment ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment.

2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
  - (3) Interest coverage ratio = net profit before tax and interest expense / interest expense of the current period.
3. Operating Ability
  - (1) Receivables (including accounts receivable and notes payable arising from business) turnover ratio = net sales / average receivables of each period (including accounts receivable and notes payable arising from business).
  - (2) Average collection days = 365 / receivables turnover.
  - (3) Inventory turnover = cost of goods sold / average amount of inventory.
  - (4) Payables (including accounts payable and notes payable arising from business) turnover ratio = net sales revenue / average payables for each period (including accounts payable and notes payable arising from business).
  - (5) Average days of sales = 365 / inventory turnover.
  - (6) Property, plant and equipment turnover rate = net sales / average balance of net property, factory and equipment.
  - (7) Total assets turnover = net sales / total average assets.
4. Profitability
  - (1) Return on assets = [profit and loss after tax + interest expenses \* (1 - tax rate)] / total average assets.
  - (2) Return on equity = Net Income / Average Equity
  - (3) Net profit margin = Net Income / Net sales.
  - (4) Earnings per share = (gain or loss attributable to owners of the parent company (presented as "net profit after tax" in the parent company only financial statements) - preferred stock dividend) / weighted average number of shares outstanding. (Note 5)
5. Cash Flow
  - (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
  - (2) Net cash flow adequacy ratio = net cash flow rising from operating activities in the most recent five years / (capital expenditure + inventory increase + cash dividend) in the most recent five years.
  - (3) Cash reinvestment ratio = (Net cash flows from operating activities – Cash dividend) / (Gross margin of property, Plant and equipment + Long-term investment + Other non-current assets + Working capital). (Note 6)
6. Leverage
  - (1) Operating leverage = (net operating revenue - changes in operating costs and expenses) / operating income. (Note 7)
  - (2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 5. When using the formula for calculating the earnings per share stated above, the following matters when measuring should be noted:

1. Based on the weighted average number of outstanding shares instead of year-end issued shares.
2. In case of cash capital increase or treasury share transactions, the duration of circulation should be taken into consideration when calculating the weighted average number of outstanding shares.
3. For earnings per share calculation of previous years and interim periods where there is capitalization of earnings or capital surplus, the calculation should be adjusted retrospectively according to the proportion of the capitalization, without considering the issuance period of the capitalization.

4. If the preferred shares are non-convertible cumulative preferred shares, its dividends for the year (whether distributed or not) should be deducted from or added to the net profit/loss after tax. If the preferred shares are non-cumulative, and there is net profit after tax for the year, the dividends from the preferred shares should be subtracted from the net profit after tax. If there is a net loss, no adjustment is necessary.

Note 6. Matters to note when assessing cash flow analyses:

1. The cash flow of operational activities refers to the net cash flow of operational activities in the cash flow statement.
2. Capital expenditures refer to the cash outflows for capital investments made each year.
3. The increase in inventory is only included when the balance at the end of the period is greater than the balance at the beginning. If the inventory decreased at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends of common shares and preferred shares.
5. The gross amount of real estate, buildings, and equipment refers to the total amount of real estate, buildings, and equipment before deducting accumulated depreciation.

Note 7. The various operating costs and expenses are classified by nature as fixed or variable, and involve estimation or subjective judgment, which must be reasonable and consistent.

(III) Audit Committee's Audit Report on Financial Statements for 2022

Audit Report of Audit Committee of Kedge Construction Co., Ltd.

It is hereby reported.

The Company's 2022 Financial Statements prepared and submitted by the Board of Directors have been reviewed and audited by the CPAs I-Lien, Han and Ti-Nuan, Chien from KPMG in Taiwan, together with the Business Report and the Statement of Earnings Distribution, have been audited by the Audit Committee and deemed as compliance. Therefore, the Audit Committee issued the Audit Report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for check.

Sincerely

2023 Annual Shareholders Meeting of Kedge Construction Co., Ltd.

Convener of the Audit Committee:  
Hung-Chin Huang

March 14, 2023

(IV) 2022 Consolidated Financial Statements Audited and Attested by CPAs

**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 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		Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unrealized gains (losses) from financial assets at fair value through other comprehensive income			
<b>Balance as of January 1, 2021</b>	\$ 1,060,357	518,294	282,311	1,063,494	1,345,805	144,653	3,069,109	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**

	<u>2022</u>	<u>2021</u>
<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)	<u>(16,547)</u>	<u>(20,687)</u>
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-	<u>(3,382)</u>	<u>(613)</u>
Total changes in operating assets	<u>(1,709,432)</u>	<u>164,394</u>
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	<u>(501)</u>	<u>1,048</u>
Total changes in operating liabilities	<u>1,476,680</u>	<u>(717,277)</u>
Total changes in operating assets and liabilities	<u>(232,752)</u>	<u>(552,883)</u>
Total adjustments	<u>(249,299)</u>	<u>(573,570)</u>
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	<u>(194,878)</u>	<u>(119,648)</u>
<b>Net cash flows from operating activities</b>	<u>929,487</u>	<u>267,343</u>
<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	<u>6,873</u>	<u>(11,154)</u>
<b>Net cash flows used in investing activities</b>	<u>(14,236)</u>	<u>(16,219)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	945,000	410,000
Decrease in short-term loans	(660,000)	(360,000)
Increase in short-term promissory notes payable	50,000	260,000
Decrease in short-term promissory notes payable	(50,000)	(260,000)
Repayment of lease principal amount	(1,773)	(2,676)
Cash dividend distribution	<u>(275,693)</u>	<u>(381,728)</u>
<b>Net cash outflows from (used in) financing activities</b>	<u>7,534</u>	<u>(334,404)</u>
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	<u>\$ 4,947,697</u>	<u>4,024,912</u>

**(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"

- (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



- 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.

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

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 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 investments 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.

#### (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;
- 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.

(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 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

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:

- (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.

## 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.

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.

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 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 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.

## 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

	<u>2022.12.31</u>	<u>2021.12.31</u>
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	<u>180,816</u>	<u>735,745</u>
Cash and cash equivalents	<u><u>\$ 4,947,697</u></u>	<u><u>4,024,912</u></u>

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).



(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.

(4) Notes and accounts receivable

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

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:

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

	<u>2021.12.31</u>		
	<u>The carrying amount of notes receivable and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance of lifetime expected credit losses</u>
Not past due	\$ 1,004,862	-	-
Past due 90 days and above	<u>7,551</u>	100%	<u>7,551</u>
	<u><b>\$ 1,012,413</b></u>		<u><b>7,551</b></u>

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

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

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:

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

1. Associates

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

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

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:

	<u>Land</u>	<u>Houses and buildings</u>	<u>Transportation equipment</u>	<u>Others equipment</u>	<u>Total</u>
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	<u>\$ 115,630</u>	<u>27,635</u>	<u>-</u>	<u>79,287</u>	<u>222,552</u>
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	<u>\$ 62,430</u>	<u>36,313</u>	<u>-</u>	<u>63,033</u>	<u>161,776</u>
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	<u>\$ 7,000</u>	<u>20,972</u>	<u>-</u>	<u>33,987</u>	<u>61,959</u>
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	<u>\$ -</u>	<u>35,830</u>	<u>-</u>	<u>23,299</u>	<u>59,129</u>
Carrying amount:					
January 1, 2022	<u>\$ 62,430</u>	<u>483</u>	<u>-</u>	<u>39,734</u>	<u>102,647</u>
December 31, 2022	<u>\$ 108,630</u>	<u>6,663</u>	<u>-</u>	<u>45,300</u>	<u>160,593</u>
January 1, 2021	<u>\$ 62,430</u>	<u>20,123</u>	<u>43</u>	<u>51,143</u>	<u>133,739</u>
December 31, 2021	<u>\$ 62,430</u>	<u>483</u>	<u>-</u>	<u>39,734</u>	<u>102,647</u>

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

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

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 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	\$ 3,360	3,360
Non-discounted future cash flows of lease	<u>\$ 3,360</u>	<u>3,360</u>

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:

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

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:

	<b>2022</b>	<b>2021</b>
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:

	<b>2022</b>	<b>2021</b>
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:

	<b>2022</b>	<b>2021</b>
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:

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

- (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:

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

- (7) Actuarial assumption

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

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

Based on the actuarial report, the 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:

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

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

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



2. Defined Contribution Plan

The 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:

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

(12) Income Tax

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

	<u>2022</u>	<u>2021</u>
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	<u>15,461</u>	<u>9,659</u>
	<u>272,259</u>	<u>194,179</u>
Deferred tax expense		
Occurrence and reversal of temporary differences	<u>5,576</u>	<u>(11,624)</u>
Income tax expenses	<u>\$ 277,835</u>	<u>182,555</u>

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:

	<u>2022</u>	<u>2021</u>
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	<u>4,056</u>	<u>(4,377)</u>
Total	<u>\$ 277,835</u>	<u>182,555</u>

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>\$ 803</b>	<b>803</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	321	(433)	(3,639)	(1,825)	(5,576)
December 31, 2022	<b>\$ 36,642</b>	<b>2,331</b>	<b>-</b>	<b>1,710</b>	<b>40,683</b>
January 1, 2021	\$ 30,068	3,007	-	1,560	34,635
Recognized in the income statements	6,253	(243)	3,639	1,975	11,624
December 31, 2021	<b>\$ 36,321</b>	<b>2,764</b>	<b>3,639</b>	<b>3,535</b>	<b>46,259</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	1,437	1,437
	<b>\$ 518,540</b>	<b>518,401</b>

In accordance with the Company Act, realized capital surplus can only be distributed to shareholders based on their original shareholding percentage as new shares or cash dividends after offsetting losses. The realized capital surplus referred to in the preceding paragraph includes the overage from the issuance of shares over the par value and the proceeds from the receipt of gifts. In accordance with the provisions of the Regulations Governing the Offering and Issuance of Securities by Securities

Issuers, the capital surplus may be capitalized, and the combined amount of any portions capitalized may not exceed 10% of the paid-in capital each year.

3. Retained earnings

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

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

(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		<u>\$ 381,728</u>		<u>381,728</u>

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

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

4. Other equity interest (net after tax)

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

(14) Earnings per Share

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

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

(15) Revenue from Contracts with Clients

1. Disaggregation of revenue

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

2. Contract balances

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

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 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:

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

2. Other income

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

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

3. Other gains or losses

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

	<u>2022</u>	<u>2021</u>
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	<u>-</u>	<u>(1,074)</u>
	<u><b>\$ (17,516)</b></u>	<u><b>15,083</b></u>

4. Financial costs

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

	<u>2022</u>	<u>2021</u>
Interest expense		
Bank loans	\$ 4,106	1,172
Others	<u>117</u>	<u>285</u>
	<u><b>\$ 4,223</b></u>	<u><b>1,457</b></u>

## (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.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 485,000	490,935	490,935	-	-	-
Notes payable	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
	<u>\$ 5,617,482</u>	<u>5,624,741</u>	<u>3,730,217</u>	<u>1,889,784</u>	<u>688</u>	<u>4,052</u>
<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
	<u>\$ 4,928,976</u>	<u>4,931,477</u>	<u>2,958,579</u>	<u>1,968,257</u>	<u>393</u>	<u>4,248</u>

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:



		<b>2022.12.31</b>			
		<b>Fair value</b>			
		<b>Carrying</b>			
		<b>amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
					<b>Total</b>
Financial Assets at Fair Value through Profit or Loss					
Financial assets mandatorily measured at fair value through profit or loss					
	\$	63,471	63,471	-	-
					63,471
Financial Assets at Fair Value through Other Comprehensive Income					
	\$	349,275	342,509	-	6,766
					349,275
Financial Assets Measured at Amortized Cost					
Cash and cash equivalents					
	\$	4,947,697	-	-	-
Notes receivable and accounts receivable (including related parties)					
		2,468,456	-	-	-
Other financial assets-current					
		1,599,810	-	-	-
Other financial assets-non-current					
		16,535	-	-	-
Subtotal					
		9,032,498	-	-	-
Total					
	<b>\$</b>	<b>9,445,244</b>	<b>405,980</b>	<b>-</b>	<b>6,766</b>
					<b>412,746</b>
Financial liabilities measured at amortized cost					
Short-term loans					
	\$	485,000	-	-	-
Notes payable and accounts payable					
		4,734,387	-	-	-
Other current liabilities (leases liabilities)					
		6,668	-	-	-
Other non-current liabilities (leases liabilities)					
		10,077	-	-	-
Other payables					
		381,350	-	-	-
Total					
	<b>\$</b>	<b>5,617,482</b>	<b>-</b>	<b>-</b>	<b>-</b>
					<b>-</b>
		<b>2021.12.31</b>			
		<b>Fair value</b>			
		<b>Carrying</b>			
		<b>amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
					<b>Total</b>
Financial Assets at Fair Value through Profit or Loss					
Financial assets mandatorily measured at fair value through profit or loss					
	\$	80,722	80,722	-	-
					80,722
Financial assets measured at fair value through other comprehensive income					
	\$	449,201	442,568	-	6,633
					449,201
Financial Assets Measured at Amortized Cost					
Cash and cash equivalents					
	\$	4,024,912	-	-	-
Notes receivable and accounts receivable (including related parties)					
		1,824,871	-	-	-
Other financial assets-current					
		310,140	-	-	-
Other financial assets-non-current					
		22,324	-	-	-
Subtotal					
		6,182,247	-	-	-
Total					
	<b>\$</b>	<b>6,712,170</b>	<b>523,290</b>	<b>-</b>	<b>6,633</b>
					<b>529,923</b>

	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	295,238	-	-	-	-
Total	<b>\$ 4,928,976</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(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.

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>\$ 6,633</u>
December 31, 2022	<u>\$ 6,766</u>
January 1, 2021	<u>\$ 5,825</u>
December 31, 2021	<u>\$ 6,633</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>\$ 133</u>	<u>808</u>

## (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:

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.

#### 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. 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:

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

## 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:

<u>Name of related parties</u>	<u>Relationship with the Group</u>
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:

		<u>2022</u>			
	<u>Nature</u>	<u>Total contract amount</u>	<u>Valuated amount</u>	<u>Current valuation amount</u>	<u>Income recognized in the current period</u>
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>
		<u>2021</u>			
	<u>Nature</u>	<u>Total contract amount</u>	<u>Valuated amount</u>	<u>Current valuation amount</u>	<u>Income recognized in the current period</u>
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:

<u>Accounting items</u>	<u>Type of related parties</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes and accounts receivable	Parent company - Kindom Development Co., Ltd.	\$ 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>



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><u>\$ 161,195</u></b>	<b><u>112,011</u></b>

## 8. Pledged Assets

Details of the carrying value of pledged assets and restricted assets by the Group were as follows:

<u>Name of assets</u>	<u>Pledge guarantee object</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
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>\$ 1,691,151</u>	<u>327,597</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.**

## 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.

- (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%	

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.

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.

- The parent company is numbered 0.
- Subsidiaries are numbered in sequence, starting with Arabic numeral 1 according to company type.

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%

#### **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.



(V) 2022 Parent Company only Financial Statements Audited and Attested by CPAs

**Independent Auditors' Report**

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

**Audit Opinion**

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

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

**Foundation of Audit Opinion**

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

**Key Audit Matters**

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

1. Construction Contracts

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

Description of Key Audit Matters:

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

### Corresponding Audit Procedures:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan

Republic of China

March 14, 2023

Notices to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese language independent auditors' report and financial statements shall prevail.*

**Kedge Construction Co., Ltd.**

**Balance Sheets**

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

**Unit: NT\$ thousand**

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

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

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

Unit: NT\$ thousand

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(9), (14) and 7)	\$ 14,175,364	100	10,720,013	100
5000	Operating costs (Note 6(10), (15), 7 and 12)	12,588,653	89	9,543,524	89
	<b>Gross profit from operations</b>	<b>1,586,711</b>	<b>11</b>	<b>1,176,489</b>	<b>11</b>
	<b>Operating expenses:</b>				
6200	Administrative expenses (Note 6(10), (15), 7 and 12)	306,833	2	296,788	3
6450	Expected credit loss (gain) (Note 6(3) and (14))	-	-	7,551	-
		306,833	2	304,339	3
	<b>Net Operating Profit</b>	<b>1,279,878</b>	<b>9</b>	<b>872,150</b>	<b>8</b>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6(16))	21,635	-	9,567	-
7010	Other income (Note 6(16))	11,355	-	1,723	-
7020	Other gains and losses (Note 6(5) and (16))	(265)	-	(19,601)	-
7050	Financial costs (Note 6(16))	(4,152)	-	(1,384)	-
7070	Share of profit and loss of subsidiaries, associates and joint ventures using equity method recognition	13,704	-	58,906	1
		42,277	-	49,211	1
	<b>Net profit before tax from continuing operating department</b>	<b>1,322,155</b>	<b>9</b>	<b>921,361</b>	<b>9</b>
7950	<b>Less: Income tax expenses (Note 6(11))</b>	274,222	2	180,885	2
	<b>Profit</b>	<b>1,047,933</b>	<b>7</b>	<b>740,476</b>	<b>7</b>
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	(99,903)	(1)	84,544	1
		(97,067)	(1)	82,969	1
8300	<b>Other comprehensive income, net</b>	<b>(97,067)</b>	<b>(1)</b>	<b>82,969</b>	<b>1</b>
	<b>Total Comprehensive Income for the Current Period</b>	<b>\$ 950,866</b>	<b>6</b>	<b>823,445</b>	<b>8</b>
	<b>Earnings per share (NT\$) (Note 6(13))</b>				
9750	<b>Basic earnings per share (NT\$)</b>	<b>\$ 8.98</b>		<b>6.35</b>	
9850	<b>Diluted earnings per share (NT\$)</b>	<b>\$ 8.85</b>		<b>6.30</b>	

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

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

**Unit: NT\$ thousand**

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

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

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

Unit: NT\$ thousand

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

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

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

**1. Company Overview**

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

(1) Statement of compliance

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

(2) Foundation of Preparation

1. Foundation of Measurement

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

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

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

2. Functional Currency and Presentation Currency

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

(3) Foreign Currency

1. Transactions Denominated in Foreign Currency

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

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

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

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

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

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

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

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

(5) Cash and cash equivalents

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

(6) Financial Instruments

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

1. Financial Assets

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

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

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

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

(1) Financial Assets Measured at Amortized Cost

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

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

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

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

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

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

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

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

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

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

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

(4) Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) Derecognition of Financial Assets

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

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

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

2. Financial Liabilities and Equity Instruments

(1) Classification of Liabilities or Equities

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

(2) Equity Transactions

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

(3) Financial Liabilities

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

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

(4) Derecognition of Financial Liabilities

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

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

(5) Offsetting of Financial Assets and Financial Liabilities

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

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

(7) Investment in subsidiaries

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

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

(8) Investment Property

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

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

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

(9) Property, Plant and Equipment

1. Recognition and Measurement

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

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

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

2. Subsequent Cost

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



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

3. Depreciation

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

No depreciation shall be recognized for the land.

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

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

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

(10) Leases

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

1. Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Lessor

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

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

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

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

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

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

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

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

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

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

**(12) Provisions**

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

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

**(13) Revenue Recognition**

**1. Revenue from Contracts with Clients**

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

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

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

(1) Construction Contracts

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

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

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

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

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

2. Cost of Client Contracts

Cost of Fulfilling Contracts

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

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

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

(14) Employee Benefits

1. Defined Contribution Plan

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

2. Defined Benefit Plan

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

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

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

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

3. Short-term Employee Benefits

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

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

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

(15) Income Tax

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

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

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

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

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

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

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

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

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

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

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

(16) Earnings per Share

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

(17) Segment Information

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

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

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

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

Key Sources of Estimation and Assumption Uncertainty:

(1) Construction Contracts

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

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

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

**6. Explanation of Significant Accounts**

(1) Cash and cash equivalents

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

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

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

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

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

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



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

(3) Notes and accounts receivable

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

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

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

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

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

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

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

(4) Investments accounted for using equity method

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

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

1. Subsidiary

Please refer to the 2022 Consolidated Financial Statements.

2. Collateral

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

(5) Property, Plant and Equipment

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

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

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

1. Reversal of impairment loss

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

2. Collateral

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

(6) Investment Property

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

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

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

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

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

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

(7) Short-term loans

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

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

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

(8) Provisions

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

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

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

(9) Operating lease

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

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

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

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

(10) Employee Benefits

1. Defined Benefit Plan

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

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

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

(1) Components of plan assets

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

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

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

(2) Changes in present value of defined benefit obligations

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

	<u>2022</u>	<u>2021</u>
Defined benefit obligation on January 1	\$ 21,585	22,148
Current service cost and interest	119	177
Remeasurement of net defined benefit liability (asset)		
— Actuarial gain and loss arising from changes in financial assumptions	(1,184)	570
- Experience adjustments	(53)	(658)
Benefits paid by the plan	<u>(3,580)</u>	<u>(652)</u>
Defined benefit obligation on December 31	<u><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 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 Company had no upper limit impact on defined benefit plan assets in 2022 and 2021.

(5) Expenses recognized as profit and loss

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

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

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

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

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

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

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

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

- (7) Actuarial assumption

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

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

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

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

- (8) Sensitivity analysis

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

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

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

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

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

2. Defined Contribution Plan

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

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

3. Short-term compensated absences

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

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

(11) Income Tax

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

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



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

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

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

3. Deferred tax assets

- (1) Unrecognized deferred tax assets

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

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

- (2) Recognized deferred tax assets

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

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

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

- (12) Capital and other equity

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

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

1. Issuance of ordinary shares

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

2. Capital surplus

Details of capital surplus was as follows:

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

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

3. Retained earnings

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

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

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

(1) Legal reserve

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

(2) Earnings distribution

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

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

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

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

4. Other equity interest (net after tax)

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

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

(13) Earnings per Share

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

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

(14) Revenue from Contracts with Clients

1. Disaggregation of revenue

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

2. Contract balances

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

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

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

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

(15) Remuneration to employees and Directors

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

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

(16) Non-operating income and expenses

1. Interest income

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

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

2. Other income

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

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

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

3. Other gains or losses

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

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

4. Financial costs

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

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

(17) Financial Instruments

1. Credit risk

(1) Credit risk exposure

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

(2) The concentration of credit risk

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

(3) Credit risk of receivables

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

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

2. Liquidity risk

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

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

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

3. Interest Rate Analysis

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

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

4. Other Price Risk

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

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

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

5. Fair Value Information

(1) Type and fair value of financial instruments

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

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



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

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

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

Non-derivative financial instruments

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

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

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

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

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

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

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

(18) Financial Risk Management

1. Outline

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

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

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

2. Risk Management Framework

- (1) Risk management policies:

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

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

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

(2) Organizational structure of risk management:

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

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

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

3. Credit risk

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

(1) Accounts receivable and other receivables

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

(2) Investment

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

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

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

(3) Guarantee

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

4. Liquidity risk

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

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

5. Market Risk

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

(1) Interest rate risk

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

(2) Other market price risks

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

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

(19) Capital management

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

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

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

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

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

**7. Related-Party Transactions**

(1) The parent company and the ultimate controlling party

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

(2) Names and relation of related parties

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

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

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

(3) Significant transactions with related parties

1. Sales of services to related parties

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

		2022			
Nature	Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period	
Parent company-Kindom Development Co., Ltd.	Engineering construction	<u>\$ 13,491,658</u>	<u>4,286,047</u>	<u>1,886,595</u>	<u>1,822,037</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 constructions contracted by the Company from the related parties are compliant to the outsourcing regulations of the related parties, plus a reasonable management fee and profit in accordance with the project budget, and after the price comparison and negotiation procedures, the contract prices are determined after they are submitted to the supervisors for approval.

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

2. Contracted works

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

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

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

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

3. Contract assets and receivables from related parties

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

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

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

4. Payables to related parties

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

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

5. Endorsements/guarantees

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

6. Leases

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

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

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

7. Others

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

(4) Key management personnel transactions

Remuneration to major management personnel includes:

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

**8. Pledged Assets**

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

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

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

(1) Significant unrecognized contract commitments:

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



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

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

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

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

**12. Others**

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

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

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

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

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

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

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

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

**13. Disclosure Notes**

(1) Information on Material Transactions

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

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

Unit: NT\$ thousand

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

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

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

Note 2:

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

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

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

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

Unit: NT\$ thousand

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

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

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

Unit: NT\$ thousand

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

Note : Refers to the valuation amount for current period.

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

Unit: NT\$ thousand

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

9. Derivative financial instrument transactions: None.

(2) Information on Reinvestment

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

Unit: thousand NTD/thousand shares

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

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

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

(3) Information on Investments in Mainland China:

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

(4) Information on Major Shareholders:

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

**14. Segment Information**

Please refer to the 2022 Consolidated Financial Statements.

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

**Unit: NT\$ thousand**

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

**List of Accounts Receivable**

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

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

**Unit: NT\$ thousand**

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



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

Unit: thousand shares / NT\$ thousand

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

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

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

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

Unit: NT\$ thousand

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

**List of Notes Payable**

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

**List of Accounts Payable**

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

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

Unit: NT\$ thousand

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

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

**Unit: NT\$ thousand**

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

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

**Unit: NT\$ thousand**

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

(VI) If the Company or its Affiliates have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Difficulties and the Effects thereof:  
None.

## Chapter 7. Review and Analysis on the Company's Financial Position and Financial Performance, and Risks

### (I) Financial position:

#### Comparative Analysis Statement of Financial Position

Unit: NT\$thousand; %

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	11,146,094	8,531,294	2,614,800	30.65
Property, Plant, and Equipment	160,593	102,647	57,946	56.45
Other Assets	492,005	643,802	(151,797)	(23.58)
Total Assets	11,798,692	9,277,743	2,520,949	27.17
Current Liabilities	7,416,157	5,576,580	1,839,577	32.99
Non-current Liabilities	196,104	190,024	6,080	3.20
Total Liabilities	7,612,261	5,766,604	1,845,657	32.01
Equity Attributable to the Owners of Parent Company	4,186,245	3,510,933	675,312	19.23
Share Capital	1,166,392	1,060,357	106,035	10.00
Capital Reserve	518,540	518,401	139	0.03
Retained Earnings	2,372,019	1,702,978	669,041	39.29
Other Equity	129,294	229,197	(99,903)	(43.59)
Non-controlling Equity	186	206	(20)	(9.71)
Total Equity	4,186,431	3,511,139	675,292	19.23

Reasons for changes over 20% in ratios:

1. Increase in current assets and total assets: Mainly due to the increase in restricted assets amounting to NT\$1,363,786 thousand in this period.
2. Increase in real estate, plants and equipment: Mainly due to the addition of other equipment valued at NT\$21,109 thousand in 2022.
3. Decrease in other assets and other equity: Mainly due to the fact that the market value of financial assets measured at fair value through other comprehensive income, has increased during 2022, resulting in the increase of unrealized gain and loss recognized.
4. Increase in current liabilities and total liabilities: mainly caused by the increase in the construction volume in current period and the peak of project investment, resulting in a relative increase in the trade payable and the estimate of goods payments at the end of the year.
5. Increase in retained earnings: Mainly due to increased overall profits and increased net profits after tax in 2022.

(II) Financial performance:

(1) Main Reasons for Any Material Change in Operating Income, Operating Profit, or Income before Tax during the Most Recent Two Fiscal Years:

Unit: NT\$thousand; %

Item \ Year	2022	2021	Increase (Decrease) Amount	Change Ratio (%)
Operating Revenue	14,204,563	10,772,322	3,432,241	31.86
Operating Costs	12,604,056	9,580,969	3,023,087	31.55
Gross Operating Profit	1,600,507	1,191,353	409,154	34.34
Operating Expenses	318,435	315,688	2,747	0.87
Net Operating Income	1,282,072	875,665	406,407	46.41
Non-operating Income and Expenses	43,699	47,382	(3,683)	(7.77)
Net income before tax from continuing operating department	1,325,771	923,047	402,724	43.63
Less: Income tax expenses	277,835	182,555	95,280	52.19
Current Net Income	1,047,936	740,492	307,444	41.52
Other Comprehensive Income (Net of Tax)	(97,090)	82,990	(180,080)	(216.99)
Total Current Comprehensive Income	950,846	823,482	127,364	15.47

Reasons for changes over 20% in ratios:

1. Increase in operating revenue and operating costs: Mainly due to the growth of the contracted operating scale and the peak period of investment in some projects, resulting in a substantial increase in operating income and costs.
2. Increase in gross profit from operations and net operating income: Mainly due to the growth of the contracted business scale and part of the investment peak period.
3. Increase in pre-tax net profit, income tax expense, and net income of the continuing operations: Mainly due to the increase in the gross profit from operations for the current period.
4. Decrease in other comprehensive income (net of tax): Mainly due to the fact that the market value of financial assets measured at fair value through other comprehensive income, has increased during 2022, resulting in the increase of unrealized gain and loss recognized.

(2) Sales Volume Forecast and the Basis thereof, and the Effect upon the company's Financial Operations As Well As Measures to be Taken in Response: Not applicable.



### (III) Cash Flow

(1) Liquidity analysis of the most recent two years:

Item	Year		Increase (decrease) Ratio (%)
	2022	2021	
Cash flow ratio (%)	12.53	4.79	161.59
Cash flow adequacy ratio (%)	239.56	88.21	171.58
Cash reinvestment ratio (%)	14.71	Remark	Remark

Note: Operating activities are net cash outflows, thus the relevant ratios are not calculated.  
Reasons for material changes in ratios:  
Mainly caused by the increase in net cash flow from operating activities in the most recent 5 fiscal years.

(2) Analysis of Changes in Cash Flow for the Most Recent Fiscal Year (2022):

Unit: NT\$thousand

Beginning Cash Balance (1)	Net Cash Flow From Operating Activities Throughout the Year (2)	Net Cash Flow From Investment and Financing Activities Throughout the Year (3)	Ending Cash Surplus (Deficit) (1)+(2)+(3)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
4,024,912	929,487	(6,702)	4,947,697	-	-

1. Analysis on changes in cash flow in the most recent year:

- (1) Operating activities: Cash inflow for the current period was NT\$929,487 thousand, which was mainly due to the receipt of prepaid engineering fees from the project owners according to the contracts of newly contracted projects.
- (2) Investment activities and financing activities: The cash outflow of NT\$6,702 thousand in the current period is mainly caused by cash dividends paid in the current period.

2. Improvement Plans for Insufficient Liquidity: None.

(3) Cash flow analysis for the coming year:

Unit: NT\$thousand

Beginning Cash Balance (1)	Expected Net Cash Inflow from Business Activities for the Year (2)	Expected Cash Outflow for the Year (3)	Expected remaining cash (deficit) amount (1)+(2)+(3)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
4,947,697	504,792	(769,221)	4,683,268	-	-

1. Analysis of changes in cash flow in the coming year:

- (1) Operating activities: The company will consider the impact of collecting advance payments for signed contracts from clients, the investment in ongoing projects, billing and collection of payments from clients, and the collection of final payments for completed projects in 2023.

- (2) Cash outflows for the year: Taken into consideration the impact of investment activities and financing activities, including the payment of cash dividends.

2. Corrective measures to be taken in response to expected illiquidity: None.

(IV) Impact of major capital expenditures on corporate finances and business in the most recent year:

- (1) The Use and Sources of Major Capital Expenditures: None.
- (2) Expected Potential Benefits: None.

(V) Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated thereby, the Plan for Improving Reinvestment Profitability, and Investment Plans for the Coming Year:

The Company's reinvestment strategy is currently focused on meeting the needs of business expansion. Among them, the market value of financial assets held by Guanqing Electromechanical Co., Ltd. in 2022 declined, resulting in unrealized losses being recognized and a decrease in overall profits. A loss of NT\$758 thousand was recognized based on the shareholding proportion. In addition, the increase in the market price of financial assets held by Jiequn Investment Co., Ltd. is recognized as unrealized profits, resulting in an increase in profits, so the company recognized the investment gains of NT\$11,614 thousand according to the shareholding ratio. The Company has no material investment plans for the coming year.

(VI) The Risks and Analysis and Assessment during the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report:

- (1) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Interest rate changes: Impact on profits and losses and response measures

The main sources of the merged company's bank loans are operating turnover, bank performance guarantees required for contracted projects, advance payment guarantees, warranty guarantees, and project financing. In the past year, market interest rates have gradually increased due to factors such as rising interest rates. However, the impact on the merged company's interest expense was limited. The merged company's interest expense for 2022 was NT\$4,223 thousand. In the future, the Company will continue to closely monitor domestic and international economic and financial conditions, and maintain a flexible and secure cash position. We will also adopt a combined cost-benefit strategy by maintaining an appropriate mix of fixed and floating interest rates to avoid significant interest rate fluctuations that could have a major impact on our financial performance.

2. Exchange rate changes: Impact on profits and losses and response measures

The main operations of the merged company are in the domestic market. The contracted projects are mainly public works and private construction projects in Taiwan. The raw materials, such as steel, are mainly sourced domestically. Therefore, currency exchange rate fluctuations do not have a significant impact on the merged company.

3. Inflation: Impact on profits and losses and response measures

The merged company's project contracts and procurement of raw materials mainly come from the domestic market. For public construction projects, the merged company can apply for subsidies based on the price index. The impact on private projects, such as technology factories, is relatively small due to their short construction periods. However, for other construction projects with a contract period of more than 3 years, they may be affected by the fluctuations of international bulk raw material costs.

The merged company will assess the risks and increase preparations during the project contract evaluation stage, lock in fixed contract prices, and carefully evaluate the owner's contract conditions to mitigate the impact of inflation-induced construction cost fluctuations and ensure the company's stable profitability.

(2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The merged company is committed to the development of its own industry and does not engage in high-risk and highly leveraged investments, capital lending to others or derivative trading. Endorsement/guarantee are mainly provided for the project contracting business needs and is in accordance with the Operational Procedures for Endorsements and Guarantees and the relevant provisions of the competent authority, the object of which is mainly affiliated enterprises and companies with business transactions, whose operation and financial conditions are normal, performance and solvency are not in danger, and no loss is incurred by endorsement and guarantee.

(3) Research and Development Work to be Carried out in the Future, and Further Expenditures Expected for Research and Development Work:

1. Kedge Construction is a comprehensive construction enterprise, and the research and development is mainly focused on shortening the construction period, improving the construction method, reducing pollution and improving efficiency. The improvement of the construction method and production technology is independently developed by the Technical Research and Development Division or introduced from the cooperative manufacturers.
2. In recent years, in addition to strengthening the comprehensive computerization, the company introduces the public works management system for management, which have been fully introduced to all sites at present. The company will continue to optimize and implement the following plans in 2023 with an estimated input of manpower and resources of NT\$11.2 million approximately.

Item No.	Research Project in Most Recent Year
1	Application development and equipment for project information system integration
2	Mobilization of construction management system APP
3	AI-assisted occupational safety high-risk engineering projects
4	Development of the IoT control system for construction personnel positioning
5	Research and development of the quantitative output of BIM auxiliary engineering
6	Research on the introduction of UAV aerial photography image converted into numerical terrain data into BIM drawing information
7	Introduction of BIM collaborative operation platform
8	Graphing output of construction drawing of BIM
9	Introduction of civil engineering CIM (Civil 3D / Infracore)
10	Research and introduction of BIM maintenance platform
11	BIM, game engine, MR glasses research
12	Research and development of BIM combined with greenhouse gas inventory

- (4) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The merged company has always paid close attention to the development of domestic and foreign political and economic situations and legal changes. The company conducts regular reviews to ensure compliance with relevant laws and regulations and adhered to the principle of prudent operation to maintain sustainable development. Changes in domestic and foreign important policies and laws in the most recent fiscal year do not have a material impact on the financial operations of the merged company.

- (5) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

In response to technological and industrial changes, the merged company constantly keeps track of market trends, actively obtains industry information through various means, and selectively introduces suitable information to enhance the competitiveness of the company's project management, thus achieving potential business development and improving customer service capabilities. Currently, the merged company's finances and businesses have not been negatively affected by changes in technologies or industries.

- (6) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:

Adhering to the business philosophy of "integrity, quality, service, innovation and sustainability," the merged company insists on providing high-quality construction projects to make owners at ease, make customers at ease, make employees feel warm, and does its best to fulfill its corporate social responsibility to enhance corporate value and build a high-quality corporate image without any change in corporate image.

- (7) Expected Benefits and Possible Risks Associated with Any Merger and Acquisitions, and Mitigation Measures being or to be Taken: None.

- (8) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Mitigation Measures being or to be Taken: None.

- (9) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Mitigation Measures being or to be Taken:

The main raw materials of the merged company are steel bar, concrete, cement, sand, red brick and other bulk building materials, which can be purchased through negotiation in the Taiwan market except for some materials supplied by the owner. Therefore, there is no consolidation of purchase. The merged company has established interaction with major manufacturers for many years; it also carefully evaluates the quality, technical and operating financial status of each supplier to each subcontractor and material supplier before transactions and distributes the specific works to several subcontractors as required by the construction of the works to ensure the smooth implementation of the construction project and avoid the consolidation of contractors.

The merged company mainly contracts domestic public works and civil construction projects, and its main business include public construction, high-level residential buildings and technology plants and other building projects. There is no consolidation of sales. With the exception of public works carried out by government agencies, all projects undertaken by ordinary private owners are subject to owner's credit investigation before bidding, thereby the credit risk has been minimized.

- (10) Effect upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10 Percent Stake in the Company has been Transferred or has otherwise Changed Hands, and Mitigation Measures being or to be Taken:

As of the date of publication of the annual report, there is no substantial transfer or change hands of equity by Directors, Supervisors or major shareholders holding more than 10 percent of the shares of the merged company.

- (11) Effect upon and Risk to Company Associated with Any Change in Governance Personnel or top Management, and Mitigation Measures being or to be Taken: None.

- (12) Litigious and Non-Litigious Matters. List Major Litigious, Non-Litigious or Administrative Disputes That: Involve the Company and/or Any Company Director, Any Company Supervisor, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding a Stake of Greater than 10 Percent, and/or Any Company or Companies Controlled by the Company; and have been concluded by Means of a Final and Unappealable Judgment, or are still under Litigation. Where Such a Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company's Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute as of the Date of Publication of the Annual Report:

1. Material litigation, non-litigation or administrative litigation in which the Company is currently involved in:
2. Major Litigious, Non-Litigious or Administrative Disputes That: Involve the Company and/or Any Company Director, Any Company Supervisor, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding a Stake of Greater than 10 Percent, and/or Any Company or Companies Controlled by the Company; and have been concluded by Means of a Final and Unappealable Judgment, or are still under Litigation. Where Such a Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company's Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute as of the Date of Publication of the Annual Report: None.

(13) Other Important Risks, and Mitigation Measures being or to be Taken:

1. Risk management policy:

During operation, enterprises often encounter many uncertainties that may threaten their operations. In order to detect and control them as early as possible and reduce the losses caused by the occurrence of risks, good risk management policies are required. The Board of Directors of the merged company shall, in accordance with the operation strategy, operation environment and department plan, formulate the overall risk management policy, including the environment, internal and external operation process and strategic decision, and conduct a drill to deal with and control potential unknown risks and risks of financial loss, so as to ensure that most potential known risks can be effectively controlled.

In addition, if there is a material potential operating risk that may affect the performance of the financial or business contracts or the company fails to comply with laws and regulations, the company shall promptly take appropriate countermeasures and report to the Board of Directors. The Auditing Office will monitor and track the implementation of the improvement plan on the issues and management decisions delivered by the Board of Directors and will submit the project report in due time. The Board of Directors shall submit risk management reports on the resolutions, deliverables, supervision and subsequent implementation of risk management. In the future, when the business management is faced with similar or similar problems, it can refer to the past experience and put forward a better solution.

2. Organizational structure of risk management:

Each level or division of the merged company is liable for risk. Once a risk situation is identified, it should be notified promptly to the Auditing Office or senior management and solutions should be sought early. Decision-makers should also take action in the shortest possible time. The organizational structure of risk management of the merged company is as follows:

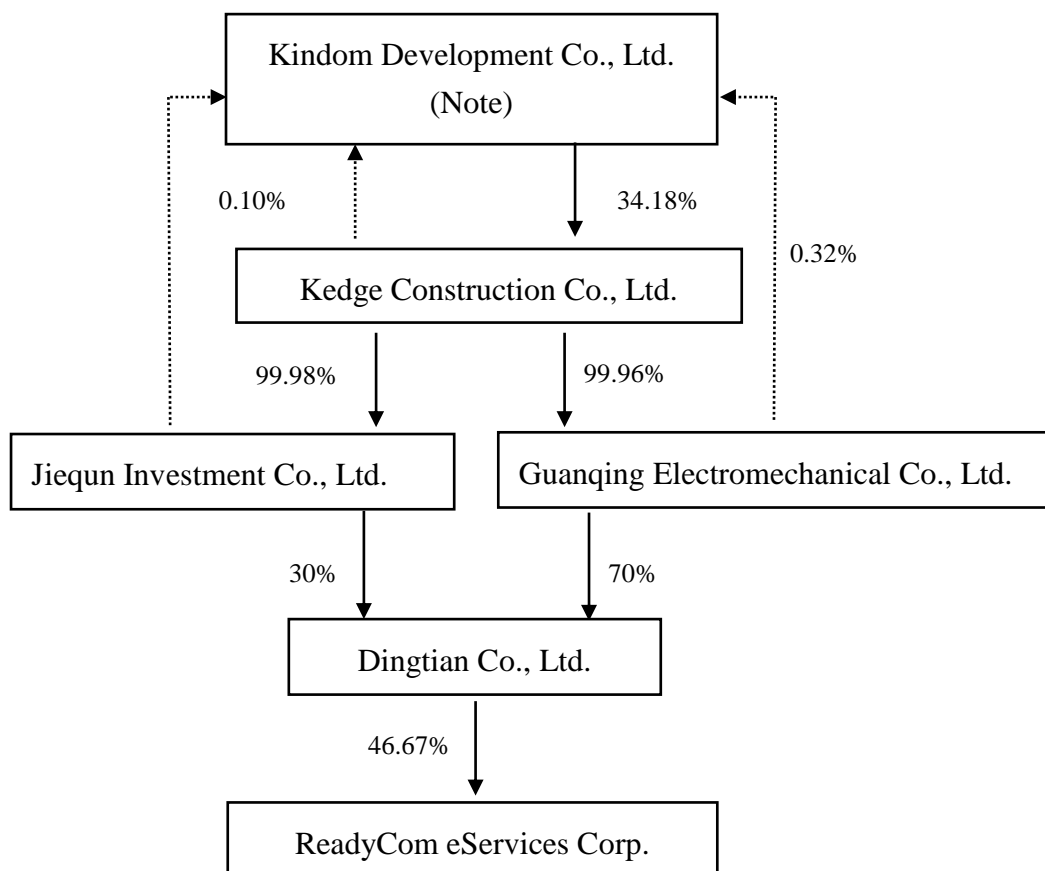
Name of Organization	Scope of Responsibilities
Board of Directors	Establish risk management policies and ensure the effective operation and resource allocation of risk management mechanism
Senior Management	Implement the risk management decisions of the Board of Directors and coordinate the risk management affairs between different departments

Auditing Office	Carry out daily risk management audit, supervise risk management activities, and report the implementation status to the Board of Directors and Supervisors
Other Departments	Summarize the implementation results of risk management activities, carry out daily risk management operations, adjust the risk categories according to the environment and draw up the commitment plan

(VII) Other Important Matters: None.

## Chapter 8. Special Disclosure

### (I) Information on affiliates:



#### (1) Organization chart of affiliated enterprises:

Note: It is a controlling company that directly holds 34.18% of the common stock of Kedge Construction Co., Ltd., and holds more than half of the seats on the Board of Directors.



## (2) Basic information of the various affiliates:

December 31, 2022; Unit: NT\$ thousand

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Products
Kindom Development Co., Ltd.	1979.11	2F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	5,541,701	1. Development, rental and sale of residential housing and building. 2. Investment in public works. 3. Acting expropriation of districts and redistricting of municipal land. 4. Properties trading business. 5. Properties leasing business.
Guanqing Electromechanical Co., Ltd.	1997.12	3F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	77,500	Installation engineering of electrical equipment and fire safety equipment.
Jiequn Investment Co., Ltd.	1998.01	3F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	164,000	General investment.
Dingtian Construction Co., Ltd.	1983.07	3F., No. 131, Sec. 8, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	23,000	Comprehensive construction industry, etc.
ReadyCom eServices Corp.	2008.05	Rm. 1, 6F., No. 207, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	30,000	Information software services and management consultants.

(3) Controlling and subordinate companies with identical shareholders: None.

(4) Industries covered by the operations of all affiliates:

- Overall business of the affiliates mainly focuses on the construction of residential buildings, buildings and related civil engineering, mechanical and electrical construction, etc.
- The Company and Dingtian Co., Ltd. contract the projects of Kindom Development Co., Ltd.; And part of the company's projects are contracted by Dingtian Co., Ltd. and Guanqing Electromechanical Co., Ltd.

## (5) Information of directors, supervisors and general managers in all affiliated companies:

December 31, 2022; Unit: thousand shares; NT\$ thousand; %

Name of Affiliate	Title	Name or Representative	Number of Shares Held/Capital Contribution	
			Number of Shares/Capital Contribution	Shareholding/Contribution Ratio
Kindom Development Co., Ltd.	Chairman	Yute Investment Co., Ltd. Legal representative: Mike, Ma	105,935 10,809	19.12% 1.95%
	Director Representative/Deputy General Manager	Yute Investment Co., Ltd. Legal representative: Ching-Chin, Hung	105,935 -	19.12% -
	Director	Yute Investment Co., Ltd. Legal representative: Mei-Chu, Liu	105,935 66,306	19.12% 11.96%
	Director	Yute Investment Co., Ltd. Legal representative: Sheng-An, Chang	105,935 9	19.12% -
	Director	Yute Investment Co., Ltd. Legal representative: Chen-Dan, He	105,935 -	19.12% -
	Director	Yute Investment Co., Ltd. Legal representative: Sui-Chang, Liang	105,935 -	19.12% -
	Independent Director	Shen-Yu, Kung	-	-
	Independent Director	Hung-Chin, Huang	-	-
	Independent Director	Kuo-Feng, Lin	-	-
Guanqing Electromechanical Co., Ltd.	Chairman	Kedge Construction Co., Ltd. Legal representative: Chin-Hua, Fan	7,747 -	99.96% -
	Director	Kedge Construction Co., Ltd. Legal representative: Jung-Tai, Chen	7,747 -	99.96% -
	Director	Kedge Construction Co., Ltd. Legal representative: Mike, Ma	7,747 -	99.96% -
	Director	Kedge Construction Co., Ltd. Legal representative: Chien-Fang, Huang	7,747 -	99.96% -
	Director	Kedge Construction Co., Ltd. Legal representative: Shu-Lien, Chang	7,747 -	99.96% -
	Supervisor	Miriam, Ma	-	-
Jiequn Investment Co., Ltd.	Chairman	Kedge Construction Co., Ltd. Legal representative: Shu-Yuan, Lin	16,396 -	99.98% -
	Director	Kedge Construction Co.,	16,396	99.98%

Name of Affiliate	Title	Name or Representative	Number of Shares Held/Capital Contribution	
			Number of Shares/Capital Contribution	Shareholding/Contribution Ratio
		Ltd. Legal representative: Miriam, Ma	-	-
	Director	Kedge Construction Co., Ltd. Legal representative: Mike, Ma	16,396 -	99.98% -
	Director	Kedge Construction Co., Ltd. Legal representative: Chun-Ming, Chen	16,396 -	99.98% -
	Director	Kedge Construction Co., Ltd. Vacancies to be filled	16,396 -	99.98% -
	Supervisor	Ko-Hou, Kuo	-	-
	Supervisor	Wen-Hsiung, Chou	-	-
	Dingtian Construction Co., Ltd.	Chairman	Guanqing Electromechanical Co., Ltd. Legal representative: Shih-Hsuan, Chou	1,610 -
ReadyCom eServices Corp.	Chairman	Yu-Chang, Li	-	-
	Director	Miriam, Ma	-	-
	Director	Ta-Lung, Ho	-	-
	Supervisor	Dingtian Construction Co., Ltd. Legal representative: Shao-Ling, Ma	1,400 -	46.67% -

(6) Status of operation for various affiliated companies:

December 31, 2019; Unit: NT\$thousand (except for earnings per share)

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Net Operating Income (Loss)	Current Net Income for the Current Period (after Tax)	Earnings per share (NT\$(after Tax))
Kindom Development Co., Ltd.	5,541,701	39,085,228	20,568,749	18,516,479	7,664,805	2,177,814	2,333,896	4.31
Guanqing Electromechanical Co., Ltd.	77,500	287,790	59,168	228,622	68,183	2,167	(759)	(0.10)
Jiequn Investment Co., Ltd.	164,000	436,944	2,117	434,827	16,818	16,277	14,466	0.88
Dingtian Construction Co., Ltd.	23,000	126,806	79,026	47,780	125,479	566	(293)	(Note)
ReadyCom eServices Corp.	30,000	40,212	9,372	30,840	24,331	3	-	-

Note: It is a limited company, no earnings per share.

(7) Consolidated Financial Statement of Affiliates:

In 2022, the "companies" required to be included in the consolidated financial statements of affiliates under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Accounting Standards No.27 (IAS 27) approved by the Financial Supervisory Commission (FSC), and relevant information that should be disclosed in the consolidated financial statements of affiliates have all been disclosed in the proceeding consolidated financial statements of parent and subsidiary companies, thus the Company is not required to prepare separate consolidated financial statements of affiliates.

(8) Affiliation Report:

### **Statement of Declaration**

The Company's affiliation report for the fiscal year of 2022 (from January 1, 2022 to December 31, 2022) was prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and the disclosed information is not materially inconsistent with the information disclosed in the notes to the financial statements of the above-mentioned period.

Hereby declare

Company name: Kedge Construction Co., Ltd.

Chairman Ai-Wei, Yuan

Date: March 14, 2023

## CPA' Review Opinion on the Affiliation Report

To: Kedge Construction Co., Ltd.

The Affiliation Report for 2022 of Kedge Construction Co., Ltd. has been reviewed by the accountant in accordance with the provisions of Ministry of Finance Securities & Futures Commission Letter No. Taiwan-Finance-Securities-(6)-04448 issued on November 30, 1999. This review work, is based on whether the Affiliation Report for 2022 of Kedge Construction Co., Ltd. is prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and whether the disclosed information is not materially inconsistent with the information disclosed in the notes to the financial statements of the period audited by the accountant on March 14, 2023, with the review opinions issued.

According to the review result of the accountant, no violation has been found in the preparation of the above affiliation report to the provisions of the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and no material discrepancy has been found between the information disclosed in the foregoing affiliation report and the information disclosed in the notes to the financial statements of the same period.

KPMG in Taiwan

CPA

The original Ministry of Finance Securities & Futures Commission Letter : (88) Tai Cai Zheng (VI) No. 18311  
: Jin Guan Zheng Liu Zi No. 1090332798

No. Certified No.

April 10, 2023

1. Overview of the Relationship Between the Subordinate Company and the Controlling Company:

Unit: Share; %

Name of the Controlling Company	Reasons for the Control	Details of Shareholding and Pledges			Directors, Supervisors or managerial officers appointed to the subordinate company by the controlling company	
		Number of Shares Held	Shareholding Ratio	The Number of Shares Under Pledge	Title	Name
Kindom Development Co., Ltd.	Those who have obtained more than half of the seats on the Board of Directors of Kedge Construction Co., Ltd.	39,872,544	34.18%	-	Chairman Director Director Director Director Representative/Deputy General Manager Director Representative/Deputy General Manager	Ai-Wei, Yuan Mike, Ma Ching-Sung, Tseng Mei-Chu, Liu Yi-Fang, Huang Shih-Hsuan, Chou

2. Purchase and Sale of Goods:

Unit: NT\$thousand; %

Transactions with Controlling Companies				Transaction Terms with Controlling Companies		General Terms of Transaction		Accounts Receivable (Payable), Notes Receivable (Payable)		Overdue Accounts Receivable			Remark
Purchases/sales	Amount	As a percentage of total purchase (sales)	Accumulated Gross Profit (Loss) on Goods Sold	Unit Price	Loan period	Unit Price	Loan period	Balance	As A Proportion of Total Accounts Receivable (Payable) or Notes Receivable (Payable)	Amount	Treatment Method	Amount of Allowance for Bad Debts	
Sale - construction contracting	(1,886,595)	(12.44)%	165,149	-	Remark	Equivalent to other transactions	Slightly longer than normal	614,624	20.27 %	-	-	-	

Note: Collection by installment according to the contract is equal to general transactions.

3. Property Transactions: None.

4. Financing: None.

5. Asset Leasing:

In 2019, the company's leases from related parties are as follows:



Unit: NT\$thousand

Type of Transaction (Rent out or Accepting Leases)	Name of the Object Leased		Lease Period	Nature of Leasing (Note 1)	Basis for determining the lease payment (rent)	Collection (payment) method	Comparison with Ordinary Leasing Price Levels	Total Leasing Price for the Current Period	Collection and Payment for the Current Period	Other stipulations (Note 2)	
	Name	Location									
Rent out	Kindom Building	Part of the space of 6F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2022.01.01-2022.12.31	Operating lease	Negotiating	Quarterly collection	Equal to ordinary leasing price	1,131	Full Collection	-	-
Rent out	Kindom Building	3F., No. 131, Sec. 7, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2022.01.01-2022.12.31	Operating lease	Negotiating	Quarterly collection	Equal to ordinary leasing price	2,229	Full Collection	-	-
Lessee	Kindom Building	3F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2022.01.01-2022.12.31	Operating lease	Negotiating	Quarterly payment	Equal to ordinary leasing price	2,229	Full Payment	-	-
Lessee	Kindom Building	2F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2022.01.01-2022.12.31	Operating lease	Negotiating	Quarterly payment	Equal to ordinary leasing price	2,114	Full Payment	-	-
Lessee	Kindom Building	3F., No. 131, Sec. 4, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2022.01.01-2022.12.31	Operating lease	Negotiating	Quarterly payment	Equal to ordinary leasing price	2,228	Full Payment	-	-

Note 1. Whether the nature is capital lease or operating lease shall be stated.

Note 2. If any other rights are established, such as surface rights, mortgage, easement, etc., they shall be indicated.

6. Other important transactions: None.

7. Endorsements and Guarantees:

Unit: NT\$thousand; %

The Maximum Balance of the Company's Endorsements and Guarantees Provided for the Controlling Company	Ending Balance		Reasons for Endorsements and Guarantees	Where a Collateral is Provided as Guarantee			Terms and Conditions or Dates for Rescinding the Endorsement or Guarantee Obligation or Withdrawing the Collateral	Amount of the Contingent Loss Recognized in the Financial Statements	Violation of the Relevant Operation Standards
	Amount	Ratio to the Net Worth of the Financial Statements		Name	Item	Value			
14,192	14,192	0.34 %	Note 1	-	-	-	Depending on the conditions of the contracted works	-	-

Note 1. An investment company evaluates the company by the equity method the Company entered into an Administrative Contract of the Central South Supermarket with the Taipei City Government, which required the joint and several guarantors, and the Board of Directors of the Company agreed to be the joint and several guarantors on November 11, 2015.

(II) Private Placement of Securities during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

(III) Holding or Disposal of Shares in the company by the company's Subsidiaries during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

(IV) Other matters that require additional description: None.

Chapter 9. Situations That Might Materially Affect Shareholders' Equity or The Price of The Company's Securities, as Specified in Subparagraph 2, Paragraph 2, Article 36 of The Securities and Exchange Act, Occurred in The Most Recent Year and in The Current Year as of The Publication Date of The Annual Report: None.