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# L&K Engineering Co., Ltd.

## Procedure for the 2023 Annual Meeting of Shareholders

- i. Meeting called to order (announce respective number of shares held by shareholders present)
- ii. Chairperson Remarks
- iii. Management Presentations (Reports on Company Affairs)
- iv. Matters for Acknowledgments
- v. Questions and Motions
- vi. Adjournment

# L&K Engineering Co., Ltd.

## Agenda of the 2023 Annual Meeting of Shareholders

- i. Time: 09:00AM, Monday, June 26, 2023  
  
Venue: No. 9, Ren'ai Road, Township Hukou Township Industrial Park,  
Hsinchu County, Hsinchu County (L&K Employee Canteen)
- ii. Chairperson's opening remarks
- iii. Management Presentations (Reports on Company Affairs)
  - 1. The Company's 2022 business report
  - 2. Report by Audit Committee on review of the Company's 2022 financial statements
  - 3. Report on L&K's 2022 distribution of remuneration to employees and directors
  - 4. Donation Report to Affiliated Persons
  - 5. Established the company's "Code of Practice for Sustainable Operations"
  - 6. Other Management Presentations
- iv. Matters for Acknowledgments
  - 1. The Company's 2022 business report, financial statements, and consolidated financial statements
  - 2. The Company's 2022 proposal for distribution of earnings
- v. Questions and Motions
- vi. Adjournment

# Management Presentations

- i. The Company's 2022 business report  
Explanation:
  - 1. Please see Attachment 1 on Pages 10-20 of this Manual for the business report.
  - 2. Submitted for review.
- ii. Report by Audit Committee on review of the Company's 2022 financial statements  
Explanation:
  - 1. Please see Attachment 2 on Page 21 of this Manual for the Audit Committees' Review Report.
  - 2. Submitted for review.
- iii. Report on L&K's 2022 distribution of remuneration to employees and directors  
Explanation:
  - 1. This report has been reviewed and approved by the Remuneration Committee on 2023/03/10 and presented in accordance with law to the Board of Directors for discussion.
  - 2. Article 32 of the Articles of Incorporation states that in the event the Company makes a profit during the fiscal year it shall set aside three to five percent of the profits for employee remuneration, which may be distributed as cash or shares, and the remuneration for directors shall be no higher than three percent.
  - 3. The total amount to be distributed as employee and director remunerations for 2022 was as follows:
    - (1) Director remuneration: NT\$26,919,612
    - (2) Employee remuneration: NT\$53,839,223
    - (3) The aforementioned amounts are to be distributed in cash.
  - 4. Submitted for review.

#### iv. Donation Report to Affiliated Persons

##### Explanation:

1. Handle in accordance with Article 4 of the "Code of Practice for Governance of Listed OTC Companies" and Article 12 of the "Code of Integrity for Listed OTC Companies".
2. To cultivate talent, support the sustainable development and fulfill the corporate social responsibility of the Company, the donation of a proportion of our earnings to St. John's University for the delivery of education and promote industry-academia cooperation is proposed. Discussion of the proposal is respectfully requested.
  - (1) Starting from this year, an amount no greater than 5% of our pre-tax earnings from the previous financial year and less than NT\$20 million will be donated annually to St. John's University for the next four years. The donations will go towards youth education, industry-academia development, and caring for disadvantaged groups.
  - (2) The funds allocated above will be designated for the following purposes:
    - ① To cultivate engineering management talent for society and promote the development of human resources in the engineering industry.
    - ② To promote and subsidize the University's industry-academia cooperation with the Group so that theory can be put into practice for the mutual benefit of both parties.
    - ③ To subsidize the University's student assistance program, encourage outstanding students, assist with the education of disadvantaged students, support immediate employment upon enrollment projects, and the acquisition of teaching and training facilities for engineering.

#### 3. Submitted for review.

#### v. Report on the Code of Practice for Sustainable Business

##### Explanation:

1. In order to practice corporate social responsibility and promote economic, environmental and social progress, and achieve the goal of sustainable development, the company formulates this code of practice in accordance with the "Code of Practice for Sustainable Development of Listed OTC Companies" and relevant laws and

regulations , for compliance, please refer to Appendix 4 on pages 41~49 of this manual

## 2. Submitted for review.

### iv. Other Management Presentations

#### 1. Please see the following table for investments made in mainland China by the Company and subsidiaries:

Unit: NT\$ 1,000

Mainland Chinese Investee	Investment at the end of 2021		Investment at the end of 2022		Investment gains (losses) recognized in 2022
	Carrying Amount	Consolidated Stake	Carrying Amount	Consolidated Stake	
L&K Engineering (Suzhou) Co., Ltd.	2,492,138	53.99%	2,861,814	53.99%	365,944
Suzhou Xiang Sheng Trade Company Ltd.	89,110	53.99%	86,334	53.99%	(4,139)
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	16,675	53.99%	17,139	53.99%	202
RSEA Construction Engineering (Chongqing) Co., Ltd.	319,312	53.99%	306,843	53.99%	(17,334)
Sunshine (China) Inc.	925,182	52.14%	900,053	51.71%	(31,980)
Sunshine Investment Co., Ltd.	929,387	52.14%	915,074	51.71%	(21,156)

Note 1: The cash capital reduction of Suzhou Xiangsheng Trading Co., Ltd. was approved by Yaxiang System Integration Technology (Suzhou) Co., Ltd. at an interim shareholders' meeting on May 31, 2021. The amount of capital reduction is RMB 80,000,000, and the change registration was completed on July 5, 2021 .

Note 2: The company's subsidiary, Zunwei Co., Ltd., passed a resolution on June 15, 2022 to handle the debt-for-stock capital increase project. The capital increase was US\$14,387,000, with a total of 14,387,000 shares. The change was completed on June 15, 2022. register. The company did not subscribe according to the shareholding ratio, and the shareholding ratio was changed from 52.14% to 51.71%

# Matters for Acknowledgments

Item 1: (proposed by the Board of Directors)

Proposal: The acknowledgement of the Company's 2022 business report, financial statements, and consolidated financial statements.

Explanation:

1. The company's 2022 annual business report, consolidated financial statements and individual financial statements have been reviewed and approved by the Audit Committee on March 10, 2023.
2. The CPAs Tseng-Kuo Huang and Chih-Jou Tai of L.H. Chen & Co. have audited the individual and consolidated financial statements and have issued an audit report.
3. Please see Attachment 1 on Pages 10-20 and Attachment 3 on Pages 22-40 of this Manual for the 2022 business report, Independent Auditor's Report, and financial statements.

Resolution:

Item 2: (proposed by the Board of Directors)

Proposal: Acknowledgment of the Company's 2022 proposal for distribution of earnings.

Explanation:

1. The Company has established the 2022 proposal for distribution of earnings in accordance with the Company Act and Articles of Incorporation. Please see the table below:

L&K Engineering Co., Ltd.  
2022 Earnings Distribution Table

Unit: NTD\$

Opening undistributed earnings		1,127,504,177
Plus: Net profit after tax for the current period (audited amount)		999,137,108
Plus: Reversal of special surplus reserves		228,445,245
Plus: Net actuarial gains (losses) of Defined Benefit Plans		9,133,754
Subtract: Other comprehensive income - income tax		(1,826,751)
Subtract: Changes in all equity in subsidiaries		(1,143,407)
Distributable earnings		2,361,250,126
Distributable items:		
1. Legal reserves (10% of net income after taxes)	(99,913,711)	
1-1 Legal reserves (10% of actuarial loss or gain)	(730,700)	
2. Dividend to shareholders		
- Cash dividend at NT\$3.5	(789,393,252)	
Closing undistributed earnings		1,471,212,463

Note 1: If the shareholders' earnings per share in the current earnings distribution proposal are affected as a result of conversion of convertible corporate bonds into ordinary shares, buyback of the Company's stocks, assignment or cancellation of treasury stock, adjustments are to be made by the Board of Directors following the shareholders' meeting.

Note 2: The ex dividend date shall be determined by the Board of Directors after approval at the shareholders' meeting.

Note 3: The current cash dividend shall be calculated to the nearest dollar, with amounts of less than one dollar rounded down, according to the ownership percentage of shareholders in the shareholder registry as of the baseline date for dividend distribution. The distribution of the sum of fractions of less than one dollar shall be recognized as Other Income of the Company.

Chairman:	Manager:	Accounting Supervisor:
Chu-Shiang Yao	Hsiao-Ling Chiang	Ya-lin Chan

2. This matter has been resolved and approved by the Board of Directors on 2023/03/10.

Resolution:



## **Questions and Motions**

## **Adjournment**

## **Business Report**

### **(I) 2022 Business Report**

Looking back on 2022, due to the outbreak of military conflict between Russia and Ukraine, the global energy and raw material prices have risen sharply. The high-tech competition between the United States and China has continued, and China has adopted strict lockdown measures due to the outbreak of the epidemic in coastal provinces and cities, which has caused another impact on the global supply chain. Besides, inflation in Europe and the United States has continued, and the Federal Reserve System (the Fed) raised interest rates quickly and tapered QE in order to curb inflation, and it caused volatility in global financial markets. In addition, due to the demand of market inventory destocking and increasing in the United States, Europe and China has declined, Taiwan's export growth has slowed down, and manufacturers' investment has become more conservative.

Following the continuous evolution and development of information communication technologies and consumer electronics, leading the continually investment of the technology companies like semiconductors and related supply chains, in a constantly changing environment fueled by the fierce competition among high-tech industries worldwide, L&K Engineering continues to cultivate and develop its existing markets and also strengthens niche markets that have the potential for further development, focusing particularly on tenders in semiconductors, biotech healthcare industries, power plants, railway construction, airports, commercial buildings, and zone expropriation construction. The Company has completed the development and expansion of engineering service markets in construction, mechanical and electrical (M&E), and equipment contracts. Leveraging our strengths in a wide range of integrated expertise, we strive to afford our clients with value-added services. In 2022, while our strategic clients continue to invest in innovative semiconductor, display, and biomedical products and advanced production capacity, we continue to extend our presence in building, civil, and public engineering markets outside the scope of M&E engineering such as cleanroom, plumbing, electrical, heating, ventilation, and air conditioning (HVAC), fire prevention, instrument Control, and industrial process systems and facilities. After accounting for all the benefits as a whole, the Company generated consolidated operating revenue of NT\$35.74 billion at NT\$4.43 earnings per share after expensing remunerations to employees, directors, and supervisors.

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

Looking ahead of 2023, although we have to face the gradual reopening after the global epidemic has eased, the deterioration of geopolitical conflicts like the Russia-Ukraine war, the economic recession that caused by inflation and interest rates rise, we still need to face the new coronavirus variant epidemic, the global supply chain breakdown, commodity supply bottlenecks and competition in key global supply chains under the US-China trade conflicts, high-tech industries are projected to continuously develop upward while keeping pace with the constant innovation and evolution of technologies and applications such as electric vehicles, self-driving cars, robots, Internet of Things (IoT), big data, artificial intelligence, metaverse, and 5G

telecommunication networks. The society will eventually continue to promote smart living, smart manufacturing, and smart city development. This trend will drive the growth of semiconductor wafer manufacturing, memory, testing and packaging, display, and biotech and healthcare industries. In turn, even the short-term economy is not so well, these industries will continue to drive capital investments in production line upgrade and production expansion, in an effort to meet end-consumer demands for value-added and niche products and to keep up with the innovation of service models.

Taiwan's economy is heavily reliant on the economic and trade growth of the United States and China; therefore, it cannot avoid the fluctuations resulting from the global political and economic conflicts. Facing an ever-changing market, managements must equip themselves with broader perspective and innovative practices, prepare for the transition from a purely product/professional/price-oriented platform to a construction engineering technological platform, and serve clients who exhibit diverse value orientations. They must also lead their colleagues and subordinates to explore and develop potential markets and business opportunities and collectively advance toward the value of innovation. L&K Engineering constantly strives for perfection and endeavors to strengthen employee training, optimize designs and skills, integrate supply chain management, reduce costs, create competitive advantages, and enhance product and service value. With respect to market strategy, we are also extensively involved in urban renewal, market developments, green energy construction, and expansion of overseas markets. Thanks to the increase in smart development, the restructuring of global supply chains, and gradual economic recovery, we can therefore expect more new construction, M&E, and equipment engineering projects this year, which will in turn bring in more orders for operational service and maintenance works.

Our recent operations are a testament to the success in the cooperation between L&K Engineering and RSEA Engineering Corporation (Privatized 2009) through professional support, resource sharing, enhancement of competitiveness, and development of future business opportunities. The synergy between L&K and RSEA improved our capacity to undertake construction, M&E, and equipment contracts, expanded the scope of the group's contract works, and also enabled us to attain our strategic goals: to acquire different types of development projects and promote the growth of our market share. On the other hand, L&K Engineering (Suzhou) was listed on the Shanghai stock exchange as A shares in 2016 and accordingly, we will continue to open our market economy, strategically develop the R&D and production capacities of high-tech industries, and subsequently boost the stable growth of China's general economy. This development trend will have a long-standing positive influence on the sales performance of L&K Engineering (Suzhou). The Chinese government has in recent years introduced a number of policies promoting rural revitalization and development. In this context, we expect that our capitals will be successively invested to promote and improve rural infrastructures and everyday services, develop high-performing smart agricultural industry clusters, and build a technology-based agricultural industry chain. L&K Group will integrate existing resources, actively take part in the development of rural smart health and nursing community buildings and markets related to these works, and commit to seeking potential opportunities for agricultural cooperation and investment.

In recent years, the global climate change situation has been severe, and the demand for carbon reduction in international industrial supply chains continues to increase. The Sustainable Development Goals (SDGs) of the United Nations have become a trend. Under the framework of the Paris Agreement, industries in various countries have reviewed their response to climate change, actively carried out mitigation, adaptation, technology, funding, capacity building, transparency, and other work, and proposed to achieve the goal of achieving zero net greenhouse gas emissions by 2050. In order to meet international standards and sustainable development needs, adapt to the impact of global climate change and build a resilient system, as well as face a series of regulatory regulations such as international carbon pricing and imposition of carbon taxes in the future, Yaxiang Group deeply understands the high correlation and impact of the development of the engineering industry and climate change. Yaxiang Group has actively strengthened and established the sustainable reporting standards (GRI), climate change related financial disclosures (TCFD), and sustainable accounting standards (SASB), Evaluate the risks and opportunities of enterprise operation, actively research and develop green technology and investment in green projects; Consider a comprehensive life cycle for various types of engineering attributes, develop significant indicators and issues based on stakeholders and their impact on the organization, formulate solutions and management policies, and regularly track, review, and improve them. In addition, strengthen the company's education and training and long-term cooperation between industry and school, accelerate talent cultivation, improve quality, and fulfill corporate social responsibility through practical actions. All these actions have repeatedly demonstrated that Yaxiang is not only personally practicing ESG, but also driving supply chain partners to work together to achieve the sustainable goal of net zero transformation.

We would like to express gratitude to all of our clients and shareholders for your long-term trust and continuous support because without your encouragement we would not have the motivation to continue to improve. We would also like to extend our sincerest appreciation to our suppliers and manufacturers who have continued to support us over the years; because of you, our service platform is complete. We are also very grateful for the contribution and dedication of our employees who are not only key members of L&K's highly productive teams but also active contributors to L&K's noble value and honor. Looking to the New Year ahead, we hope to advance toward the goals of opening up new niche markets and achieving sustainable operations, thereby helping L&K to create a new outlook that takes us to a better future.

Best regards,

Chairman: Chu-Shiang Yao

President: Hsiao-Ling Chiang

(I) Implementation of the 2022 business plan

Business changes in 2022:

Unit: NT\$ 1,000

Item	2022	2021	Difference	%
Operating revenue	35,738,886	23,752,829	11,986,057	50.46%
Operating costs	33,001,985	22,348,827	10,653,158	47.67%
Gross profit	2,736,901	1,404,002	1,332,899	94.94%
Operating expenses	1,119,722	1,122,938	(3,216)	-0.29%
Net operating income	1,617,179	281,064	1,336,115	475.38%
Non-operating income and expenses	86,817	120,505	(33,688)	-27.96%
Income before income tax	1,703,996	401,569	1,302,427	324.33%
Income tax expense	419,973	77,460	342,513	442.18%
Net income	1,284,023	324,109	959,914	296.17%
Earnings per share	4.43	1.43	3.00	209.79%

(II) 2022 Budget Implementation: N/A. The Company did not release any financial forecast in 2022.

(III) Analysis of financial gains and losses and profitability for 2022

Item of Analysis			Financial Analysis	
			2022	2021
Financial Structure (%)	Debt to asset ratio		73.86	64.66
	Long-term fund to fixed assets		1,739.90	1,776.14
Profitability	Return on total assets (%)		3.28	1.28
	Return on equity (%)		10.61	2.86
	Paid-in capital ratio	Net operating income (%)	71.70	12.46
		Income before income tax (%)	75.55	17.80
	Net margin (%)		3.59	1.36
	Earnings per share		4.43	1.43

(IV) R&D Overview

The Group employs technicians and R&D personnel to keep abreast of and integrate the technologies and experiences of other countries, introduce and improve

technologies and innovative methods, restructure engineering material equipment for better performance, and work together with academic scholars and research institutes in Taiwan to conduct research projects and analytical plans.

Most recent R&D results:

Year	R&D Results
2022	<p>※ <b>The establishment of microchemical analysis laboratory:</b> Completed developing the abilities to apply scanning electron microscope and gas chromatography–mass spectrometry, and applied them in practice.</p> <p>※ <b>Development and verification of engineering lightweight platform::</b> Complete engineering lightweight basic software and application interfaces. And develop practical case applications..</p> <p>※ <b>The development of 90o-bend water quantity measurement technology:</b> The experimentation of measuring stations and verification of construction sites have been completed. Subsequent promotions can be commenced.</p> <p>※ <b>Application and development of gas release characteristics of junior high efficiency screening program::</b> Collect the junior high efficiency filter screen replaced at the project site, complete the gas release experiment and data collection of the filter, and continue to collect data in the future.</p>

## Overview of 2023 Business Plan

L&K represents a technical service platform integrating professional engineering systems and the different needs of various industries. Drawing on our overall expertise in technologies service and supply chain integration, we have gained the recognition and trust of our clients through excellence in management and years of experience in project implementation, which ranges from planning, designing, procurement, construction, installation, system integration/testing/adjustment, to operation servicing and maintenance in the following aspects: semiconductor and display industrial cleanrooms, biotech and healthcare industrial laboratories, biochemical pharmaceutical industrial cleanrooms, and M&E systems (e.g., civil engineering, construction works, plumbing, electrical, HVAC, fire prevention, light-current, and process equipment systems) required for the construction of all types of buildings, manufacturing plants, and infrastructures.

The international economy in 2022, the production and transportation of supply chain are constantly disrupted by the factors such as the stalemate of the Russia-Ukraine war, repeated global epidemics, China's implementation of Zero-COVID and

blockade policies, Russia's interruption of natural gas supply to Europe, and drought in the northern hemisphere, and this makes the global inflation last longer than expected. In order to curb inflation, major countries have entered into a cycle of interest rate hikes. The global financial environment has tightened, increasing the debt burden of enterprises and household financing, exacerbating fluctuations in the global financial market, affecting economic growth slowdown, and even recession. At the same time, the economic and trade competition between the United States and China has not eased, which has continued to cause changes in the restructuring of the global supply chain and the transfer of production bases away from China. In Taiwan, the government continually expand the investments in public constructions and supplement budget implementation, and overseas Taiwanese businesses move their production base back to Taiwan and increased the proportion of Taiwanese advanced production capacity in the global supply, and accelerated development of the applications like high-performance computing and intelligent digital transformation of automotive electronics and 5G communications networks, has increased orders for electronic and information communication products, and semiconductor manufacturers prepare for advanced processes and production expansion. Under these circumstances, due to the growth of Taiwan' s economic and a boom in the globalized product supply chain, it caused a shortage of labor, materials and the situation that supply doesn't meet the demand. Gradually affected by the international economic contraction in the last-half year, the terminal demand slowed down, inventory adjusted, and the production capacity utilization rate declined, but the overall economy maintained a steady growth trend.

Looking ahead to 2023, major international forecasting agencies have revised down the range of global economic and trade growth. In particular, it's necessary to pay attention to the impact of uncertain factors on the overall economic and trade environment, such as the global economic downturn, inflation, the monetary policies of major central banks, the US-China high-tech control ban, and supply chain imbalance. L&K will continue all the hard work we have put in recent years. Apart from continuously improving high-tech industrial plant constructions and equipment and actively developing M&E engineering services for commercial buildings, we will also leverage opportunities available in a capital market and carefully choose who we work with to facilitate vertical and horizontal integration for market diversification. We aim to constantly refine and perfect our professional skills and business operations; with regard to team organization, we will endeavor to adjust and strengthen the division of labor within our internal structure; we will adopt a differentiated market strategy that enables us to reach market segments that are different to our competitors and place ourselves in a market position that is unique, irreplaceable, and inimitable.

By stepping outside of our comfort zone in M&E engineering services for the semiconductor, display, and biopharmaceutical industries, the Group is now advancing into the following areas: infrastructure construction, airport construction, railway construction, landmark commercial building construction, old building development, comprehensive land development, and lighting and sound systems for international stages. In doing so, we can establish a market environment characterized by economies of scale and use our professional strengths and division of labor to reduce the risks of future international market operations and yield different profits and business results. This strategy of making changes and adjustments to the harsh and challenging conditions is precisely the core competitiveness supporting the steady development, overall operation, and sustainable management of L&K Engineering.

(I) Operating Policy

1. Focus on managing the company's core competencies in various services, develop professional skills and managerial capability, promote a knowledge-based economy, and design an engineering service platform that features our professional strengths and effective division of labor.
2. Enhance internal organization, strengthen the group's vertical and horizontal cooperation, and increase our flexibility in different market operations.
3. Utilize group resources to develop opportunities for technical service integration with different industries, leverage different niche advantages, create differentiated service value, and increase the company's competitive advantage in different markets.

(II) Projected sales volume and basis

With the popularization of the vaccination, lifting lockdowns of the epidemic, the recovery of social activities and the supply chains returning to normal, the global economy will eventually be back on track before the epidemic. Therefore, it is expected that the economic output value of most economies will return to the level before the epidemic. In the future, high-tech industries around the world will continue to evolve and grow. L&K will keep adapting to changes in the international economic situations while staying attuned to business opportunities in cross-strait development. In addition to our strengthens in the division of professional labor, L&K has established a strong capital market foundation in mainland China. On the one hand, the strategic funds from mainland China will be stably invested in the development of semiconductors, display industries, biotech and healthcare industries. On the other hand, the global supply chain will undergo regional restructuring in response to US-China trade frictions, consequently prompting the relocation of supply chains out of China and more overseas Taiwanese businesses to quickly move their production



base back to Taiwan. The Taiwan government will keep increasing investments in public constructions to boost the country's economy. The cross-strait crisis and business opportunities created by this trend merit our continuous commitment and engagement. Therefore, even amid concerns about the overall economic downturn, we expect that our business performance in 2023 will continue to grow, moderately and steadily. As this trend develops further, we can extend our presence further in the international market by making use of the opportunities created by stock listing resources in Taiwan and China.

### (III) Important production and sales policies

Amid the rapid evolution of high-tech industries and the US-China trade competition, the Company's operations will gradually shift from focusing on semiconductors, displays, biotech and healthcare, and commercial buildings to developing diverse platforms for technological integration, division of labor, and industries. We will therefore remain attuned to and participate in the following market trend that can increase the momentum in our future operations:

1. Global response to future developments has constantly increased the demand for energy consumption, consequently leading to climate change and global warming. Countries across the globe have whipped themselves into a frenzy of energy-saving and waste-reducing activities, which highlights the urgent need to save energy and use cleaner and renewable energy sources. In Taiwan, energy is largely imported. With no effective alternatives in sight and the whole world is introducing a series of strategies to mitigate climate warming effects and develop clean and renewable energy sources, the Taiwanese government, legislative agencies, and energy authorities have formed a policy trend, actively establishing relevant laws and policies to create a positive environment and business opportunities for clean and renewable energy industries and projects.
2. The innovation of information communication industries is driving the world toward developing all things related to the Internet of Things, artificial intelligence, Industry 4.0, robots, electric vehicles, smart manufacturing, and smart living. Eventually, these applications will converge and create a smart city trend. According to the United Nation, the global urban population will continue to increase considerably. Because resources are limited, urban areas must be developed into a smart city in order to steer us toward the goal of sustainable development. The opportunities created by smart technologies will transform industrial production, commercial operations, and the lifestyle of individuals and families, thereby promoting the continuous change and growth of the entire industry and the supply chains involved

3. As the global population continues to grow, it is also aging, which increases the healthcare demands of developed countries and emerging market economies. In recent years, biotechnologies have continued to make cutting-edge advances, subsequently expediting the development of biotech and healthcare related industries in the aspects of disease treatment, preventive medicine, home-based long-term care, individual medical health care, and medical reform. The Taiwan government also plans to take advantage of this trend and facilitate the development of pharmaceutical industries, medical equipment industries, and applied biotech industries into cross-generational mainstream industries.
4. According to statistics, there are 4.4 million houses over 30 years old in Taiwan. Up to 71.2% of the residences in Taipei City are more than 30 years old. To promote the reconstruction of old buildings, the central and local governments have introduced a number of effective policies such as the statute for unsafe and old buildings and collaborated with state-owned banks to offer special loan services. These efforts have significantly improved the limitations that have impeded the promotion of old building reconstructions in the past, and casted a new light on the importance of urban renewal and the reconstruction of old and unsafe buildings.

Business diversification policies serve to not only facilitate business expansion but also effectively protect the Company's business when some industries and markets are affected by a receding economy. Such policies ensure that we perform necessary market planning and adjustments, build knowledge capacity for a knowledge economy, develop different skill sets for industry integration, develop the abilities needed to operate larger and different types of businesses, and provide customized services and solutions. Thus, even with operations as diverse as our company's, we are able to reduce risks and steadily increase benefits for the entire group.

In addition, the integration of the group's internal resources and our professional strengths in division of labor are starting to have an effect on the market. By converging experiences and expertise and sharing resources and information with RSEA Engineering Corporation(privatized 2009), we have achieved our strategic goals of business and market growth. This has improved the ability of L&K Group to contract turnkey projects in mainland China, broadened the group's reach of international projects, ensured that L&K Group can operate more steadily in the future, and attained our ultimate business goal: to establish our root in Taiwan,

cultivate mainland Chinese markets, serve our Asian partners, and form strategic alliances, thereby advancing toward the international stage.

#### (IV) Future Development Strategy

Facing the challenges in the global general business environment, high-tech managements must quickly restructure their organization and change the way they think in order to maintain advantages as they brace for the fierce competition ahead. The Company will use ERP systems and effective knowledge management to fortify our competitiveness; we will adjust our organizational structure to get the execution we need to meet the market competition; we will build the enterprise learning environment to strengthen employees' diverse professional skillsets to more effectively adjust the company to changes in the market environment. To internationalize business operations, the Company will commit to acclimatizing its corporate culture to the local culture of our subsidiaries. We will urge subsidiaries to develop their business, increase the group's business synergy, and develop response capabilities that are flexible enough to fortify the group's competitive advantages, maintain our core competitiveness, and uphold the core value of sustainable development. The Company will adopt the following development strategies in the future:

1. Strengthen existing core technologies and system professional integration capability; focus on talent enhancement and cultivation; and continue to implement corporate electronic knowledge management and digital transformation to reinforce our competitive advantage in business profitability
2. Consolidate the group's comprehensive strengths; attempt businesses in the areas of land development, unsafe and old building market development, and research and development of ecological green resource technologies; and spare no effort in acquiring large integrative construction businesses both at home and abroad, and developing businesses in the development of related industries.
3. Develop business alliance systems, unite well-performing companies at home and abroad; strengthen our team's diverse strengths and competitiveness; utilize the group's advantageous resources in the capital market; and build a mutually beneficial industry platform.

#### (V) Impact of Competitive, Regulatory, and Operating Environments

The growth and decline and competition and cooperation of industries are constantly changing with the development of trend. In the regulatory environment, high-tech industries are subject to constant upgrading and adjustments. Governments worldwide understand that their economic development should be properly balanced against their laws regarding politics and environmental protection. In recent years,

under the guidance of the ESG trend, L&K will continue to improve the level of corporate governance and promote the sustainable development of the environment and society in addition to the basic goal of profit in the management of corporate operations and supply chain management. Looking at the short term future, although the external competitive, regulatory, and operating environments will be constantly filled with challenges in the short run, these environments should not have a significant negative impact on the company's operations.

Chairman:  
Chu-Shiang Yao

Manager:  
Hsiao-Ling Chiang

Accounting Supervisor:  
Ya-lin Chan

## **Audit Committee's Report**

The Board of Directors has prepared the Company's 2022 business report, financial statements (including individual and consolidated financial statements), and proposal for earnings distribution. The CPAs Tseng-Kuo Huang and Chih-Jou Tai of L.H. Chen & Co. have audited the financial statements (including individual and consolidated financial statements) and have issued an audit report. The business report, financial statements, and earnings distribution proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

To the Company's 2023 General Shareholders' Meeting

L&K Engineering Co., Ltd.  
Audit Committee convener: Chien-  
Jan Lee

2023/03/10

**L&K Engineering Co., Ltd.**  
**Independent Auditor's Report**

To the Board of Directors and Stockholders of L&K Engineering Co., Ltd. :

**Opinion**

We have audited the accompanying parent company only balance sheets of L&K Engineering Co., Ltd. (“the Company”) as of December 31, 2022 and 2021, the related parent company only statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2022 and 2021.

In our opinion, based on our audits and the reports of the other independent auditors referred to in Other matter section of our report, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of L&K Engineering Co., Ltd. as of December 31, 2022 and 2021, and the results of its operations and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis of Opinion**

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

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, our judgment should be communicated in the audit report on the key check items as follows:

(1) Construction contract revenue and profit recognition

Please refer to Note 4(18) for the accounting policy of the revenue and profit of the construction contract. Please refer to Note 5(2)(A) for estimates and assumptions of the construction contract. Please refer to Note 6(24) for disclosures of construction contracts revenue.

**Description:**

Construction contract revenue and profit should be recognized with reference to the completion degree of individual contracts at the period end of the financial report, measured by the proportion of cost incurred to the estimated total contract cost. The change in estimate may result in significant adjustments to revenue and profits.

**How our audit addressed the matter:**

For major construction contracts entered or those with significant changes in total revenue and estimated total cost in the year, review the relevant contract terms and minutes, and understand the rationality of the project manager's assessment of the estimated total cost of construction contracts or the reasons for the changes; assessing whether the Company's accounting policy on revenue recognition is in accordance with the related accounting standards.

(2) Receivable impairment

Please refer to Note 4(6) for the accounting principles of receivable impairment. Please refer to Note 5(2)(B) for accounting estimates and assumptions about receivable impairment. Please refer to Note 6(3) 、Note 6(4) and Note 6(25) for the disclosure of receivable impairment.

**Description:**

The impairment of receivables is recognized by management through various external evidence assessments. Impairment of receivables involves management's judgment and the influence of various factors, which may lead to an increase in the inaccuracy of accounting estimates.

**How our audit addressed the matter:**

The main auditing procedures include examining whether the receivables evaluation policy is handled in accordance with reporting standards, and for the accounts overdue for a longer period in the aging analysis, understanding the reasons and subsequent collections, and obtaining documents related to management's estimates of the expected credit losses, and impairment of accounts receivable, and assessing their reasonableness and the appropriateness of related disclosures.

**Other matter**

The financial statements of RSEA Engineering Corporation (privatized 2009), which were accounted for under the equity method on the parent company only balance sheet as of December 31, 2022 and 2021, were audited by other independent auditors. Our audit, insofar as it related to the investment, is based on the other independent auditors' reports. The investment in RSEA Engineering Corporation (privatized 2009) amounted to NT\$3,036,896 thousand and NT\$3,022,879 thousand, which represented 10.79% and 21.24% of the total assets as of December 31, 2022 and 2021, respectively. The related shares of investment income from RSEA Engineering Corporation (privatized 2009) amounted to NT\$40,715 thousand and NT\$31,007 thousand, which represented 3.22% and 8.28% of the income from continuing operations before income tax for the years ended December 31, 2022 and 2021, respectively.

**Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparations of Financial Report by Securities Issuers and for internal control necessary to enable the preparation of the parent company only financial statements to be free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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

We also provide those charged with governance with a statement that we have complied with relevant



ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

L.H. CHEN & CO., CPAs.

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March 10, 2023

**L&K Engineering Co., Ltd.**  
**Parent Company Only Balance Sheets**  
**December 31, 2022 and 2021**

Unit : NT\$1,000.

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current Assets</b>						<b>Current Liabilities</b>					
1100	Cash and cash equivalents (Note 6(1))	\$ 5,757,506	20	\$ 1,251,405	9	2100	Short-term borrowings (Note 6(14))	\$ 600,000	2	\$ 120,000	1
1110	Financial assets at fair value					2110	Short-term notes and bills payable (Note 6(15))	199,547	1	599,600	4
	through profit or loss - current (Note 6(2))	192,358	1	302,292	2	2130	Liabilities of contract - current (Note 6(24)&7(2))	13,879,258	48	1,479,884	11
1140	Contract assets - current (Note 6(24)&7(2))	1,978,153	7	1,720,082	13	2170	Accounts payable	3,195,008	11	2,464,728	17
1150	Notes receivable, net (Note 6(3))	2,495	-	2,391	-	2180	Accounts payable - related parties (Note 7(2))	4,412	-	4,989	-
1170	Accounts receivable, net (Note 6(3))	1,332,058	5	1,434,598	10	2200	Other payables	259,564	1	122,137	1
1180	Accounts receivable - related parties, net (Note 6(3)&7(2))	246,688	1	107,522	1	2230	Current tax liabilities	225,459	1	69,251	-
1200	Other receivables, net (Note 6(4))	2,696	-	63,384	-	2250	Provisions - current (Note 6(16))	227,909	1	174,722	1
1210	Other receivables - related parties, net (Note 7(2))	271,320	1	471,042	3	2280	Lease liabilities - current (Note 6(17))	41,948	-	1,701	-
1220	Current tax assets	219,788	1	202	-	2320	Long-term borrowings - current portion (Note 6(18))	203,764	1	203,749	1
130X	Inventories, net (Note 6(5))	10,540	-	12,673	-	2399	Other current liabilities	37,165	-	32,936	-
1410	Prepayments (Note 6(6))	8,844,096	32	266,338	2	21XX	<b>Total Current Liabilities</b>	<b>18,874,034</b>	<b>66</b>	<b>5,273,697</b>	<b>36</b>
1476	Other financial assets - current (Note 6(7))	617,586	2	761,316	5						
1479	Other current assets	40,888	-	48,540	-	<b>Noncurrent Liabilities</b>					
11XX	<b>Total Current Assets</b>	<b>19,516,172</b>	<b>70</b>	<b>6,441,785</b>	<b>45</b>	2540	Long-term borrowings (Note 6(18))	230,501	1	934,215	7
<b>Noncurrent Assets</b>						2570	Deferred income tax liabilities (Note 6(28))	267,702	1	174,027	2
1510	Financial assets at fair value					2580	Lease liabilities - non-current (Note 6(17))	33,120	-	-	-
	through profit or loss - non current (Note 6(2))	4,620	-	-	-	2640	Accrued pension cost (Note 6(19))	29,512	-	40,571	-
1517	Financial assets at fair value through other comprehensive income (Notes 6(8))	427,211	2	353,984	2	2645	Guarantee deposits received	9,856	-	12,127	-
1550	Investments accounted for using equity method (Note 6(9))	7,632,600	27	6,992,993	50	25XX	<b>Total Noncurrent Liabilities</b>	<b>570,691</b>	<b>2</b>	<b>1,160,940</b>	<b>9</b>
1600	Property, plant and equipment, net (Note 6(10))	284,481	1	270,626	2	2XX	<b>Total Liabilities</b>	<b>19,444,725</b>	<b>68</b>	<b>6,434,637</b>	<b>45</b>
1755	Right-of-use assets (Note 6(11))	74,937	-	1,701	-	<b>Equity Attributable to Shareholders of the Parent</b>					
1760	Investment property, net (Note 6(12))	92,834	-	93,334	1	3100	Capital stock				
1780	Intangible assets (Note 6(13))	7,315	-	5,208	-	3110	Common stock (Note 6(20))	2,255,409	8	2,255,409	16
1840	Deferred income tax assets (Note 6(28))	84,761	-	66,358	-	3200	Capital surplus (Note 6(21))	2,853,613	10	2,847,935	20
1980	Other financial assets - non current (Note 6(7)&7(2))	13,939	-	2,185	-	3300	Retained earnings (Note 6(22))				
1995	Other noncurrent assets	1,584	-	1,078	-	3310	Legal reserve	1,225,456	4	1,192,763	8
15XX	<b>Total Noncurrent Assets</b>	<b>8,624,282</b>	<b>30</b>	<b>7,787,467</b>	<b>55</b>	3320	Special reserve	362,153	1	453,961	3
						3350	Unappropriated earnings	2,132,806	8	1,406,700	10
						3400	Others (Note 6(23))	(133,708)	1	(362,153)	(2)
						3XX	<b>Equity Attributable to Shareholders of the Parent</b>	<b>8,695,729</b>	<b>32</b>	<b>7,794,615</b>	<b>55</b>
1XXX	<b>Total Assets</b>	<b>\$ 28,140,454</b>	<b>100</b>	<b>\$ 14,229,252</b>	<b>100</b>	3XX	<b>Total Liabilities and Equity</b>	<b>\$ 28,140,454</b>	<b>100</b>	<b>\$ 14,229,252</b>	<b>100</b>

(The accompanying notes are an integral part of the financial statements).

**L&K Engineering Co., Ltd.**  
**Parent Company Only Statements of Comprehensive Income**  
**For the Years Ended December 31, 2022 and 2021**

Unit : NTS1,000  
(Except EPS)

	For the Years Ended December 31,			
	2022		2021	
	Amount	%	Amount	%
4000 Operating Revenue (Note 6(24)&7(2))	\$ 10,805,257	100	\$ 4,994,812	100
5000 Operating Costs	(9,646,605)	(89)	(4,510,021)	(90)
5900 Gross Profit	1,158,652	11	484,791	10
6000 Operating Expenses				
6200 General and administrative expenses (Note 6(26)& 7(2))	(252,234)	(2)	(163,443)	(3)
6450 Expected credit loss benefit (Note 6(25))	(66,185)	(1)	(51,149)	(1)
Total Operating Expenses	(318,419)	(3)	(214,592)	(4)
6900 Net Operating Income (Loss)	840,233	8	270,199	6
7000 Non-operating Income and Expenses				
7100 Interest income (Note 6(27))	53,531	-	15,425	-
7010 Other income (Note 6(27))	25,301	-	13,976	-
7020 Other gains and losses (Note 6(27))	(260)	-	86,883	2
7050 Finance costs (Note 6(27))	(19,758)	-	(35,757)	(1)
7060 Share of profits of subsidiaries, associates and joint venture by using equity method (Note 6(9))	366,175	3	23,900	-
Total non-operating income and expenses	424,989	3	104,427	1
7900 Income before Income Tax	1,265,222	11	374,626	7
7950 Income Tax Expense (Note 6(28))	(266,084)	(2)	(53,226)	(1)
8200 Net Income	999,138	9	321,400	6
8300 Other Comprehensive Income (Loss)				
8310 Items that are not to be reclassified to profit or loss				
8311 Re-measurements from defined benefit plans (Note 6(19))	9,134	-	6,909	-
8316 Unrealized loss on investments in instruments at fair value through other comprehensive (Note 6(23))	73,227	1	111,270	2
8349 Income tax relating to the components of other comprehensive income - items that will not be reclassified to profit or loss (Note 6(28))	(1,827)	-	(1,382)	-
8361 Exchange differences arising on translation of foreign operations (Note 6(23))	192,495	2	(24,179)	-
8381 Share of other comprehensive income on subsidiaries and associates (Note 6(23))	308	-	(119)	-
8399 Income tax benefit (expense) related to components of other comprehensive income (Note 6(28))	(38,728)	-	4,836	-
Other comprehensive income (loss) for the period, net of income tax	234,609	3	97,335	2
8500 Total Comprehensive Income for the Period	\$ 1,233,747	12	\$ 418,735	8
9750 Basic Earnings Per Share (Note 6(29))	\$ 4.43		\$ 1.43	
9850 Diluted Earnings Per Share (Note 6(29))	\$ 4.40		\$ 1.42	

**L&K Engineering Co., Ltd.**  
**Parent Company Only Statements of Changes in Equity**  
**For the Years Ended December 31, 2022 and 2021**

Unit : NT\$1,000

Items	Equity Attributable to Shareholders of the Parent							
	Retained Earnings					Other Equity		Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special reserve	Unappropriated earnings	Accumulated Balances of Exchange Differences on Translating Foreign Operations	Unrealized Gain/Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	
<b>Balance, January 1, 2021</b>	\$ 2,255,409	\$ 2,847,935	\$ 1,158,672	\$ 369,111	\$ 1,424,255	\$ (366,780)	\$ (87,181)	\$ 7,601,421
Appropriation of prior year's earnings:								
Legal reserve	-	-	34,091	-	(34,091)	-	-	-
Special reserve	-	-	-	84,850	(84,850)	-	-	-
Cash dividends	-	-	-	-	(225,541)	-	-	(225,541)
Net income for the year ended December 31, 2021	-	-	-	-	321,400	-	-	321,400
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	5,527	(19,462)	111,270	97,335
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	326,927	(19,462)	111,270	418,735
<b>Balance, December 31, 2021</b>	<u>\$ 2,255,409</u>	<u>\$ 2,847,935</u>	<u>\$ 1,192,763</u>	<u>\$ 453,961</u>	<u>\$ 1,406,700</u>	<u>\$ (386,242)</u>	<u>\$ 24,089</u>	<u>\$ 7,794,615</u>
Items	Equity Attributable to Shareholders of the Parent							
	Retained Earnings					Other Equity		Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special reserve	Unappropriated earnings	Accumulated Balances of Exchange Differences on Translating Foreign Operations	Unrealized Gain/Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	
<b>Balance, January 1, 2022</b>	\$ 2,255,409	\$ 2,847,935	\$ 1,192,763	\$ 453,961	\$ 1,406,700	\$ (386,242)	\$ 24,089	\$ 7,794,615
Appropriation of prior year's earnings:								
Legal reserve	-	-	32,693	-	(32,693)	-	-	-
Special reserve	-	-	-	(91,808)	91,808	-	-	-
Cash dividends	-	-	-	-	(338,311)	-	-	(338,311)
Net income for the year ended December 31, 2022	-	-	-	-	999,138	-	-	999,138
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	7,307	154,075	73,227	234,609
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,006,445	154,075	73,227	1,233,747
From share of changes in equities of subsidiaries	-	5,678	-	-	(1,143)	1,143	-	5,678
<b>Balance, December 31, 2022</b>	<u>\$ 2,255,409</u>	<u>\$ 2,853,613</u>	<u>\$ 1,225,456</u>	<u>\$ 362,153</u>	<u>\$ 2,132,806</u>	<u>\$ (231,024)</u>	<u>\$ 97,316</u>	<u>\$ 8,695,729</u>

(The accompanying notes are an integral part of the financial statements)

**L&K Engineering Co., Ltd.**  
**Parent Company Only Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

Unit : NTS1,000

	<b><u>For the Years Ended December 31,</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b><u>Cash Flows from Operating Activities</u></b>		
Income before income tax	\$ 1,265,222	\$ 374,626
Adjustments for		
Depreciation expense	22,111	14,577
Amortization expense	5,917	3,020
Bad debt expenses (Gain on reversal of bad debts)	66,185	51,149
Loss (gain) on financial assets at fair value through profit and loss	109,934	(82,270)
Interest expense	19,758	35,757
Interest income	(53,531)	(15,425)
Dividend income	(22,272)	(13,250)
Share of profits of associates and joint venture by using equity method	(366,175)	(23,900)
Loss (gain) on disposal of property, plant and equipment	(22)	24
Loss (gain) on disposal of investments accounted for using the equity method	-	(2,322)
Loss (gain) from lease modification	-	(9)
Changes in operating assets and liabilities:		
Decrease (increase) in current contract assets	(328,632)	266,739
Decrease (increase) in accounts and notes receivable	105,987	(971,717)
Decrease (increase) in accounts receivable - related parties	(139,166)	(58,970)
Decrease (increase) in other receivables	63,026	(58,068)
Decrease (increase) in other receivables - related parties	(1,546)	-
Decrease (increase) in inventories, net	2,132	339
Decrease (increase) in prepayments	(8,578,331)	(123,928)
Decrease (increase) in other current assets	7,652	(10,951)
Increase (decrease) in current contract liabilities	12,399,375	901,551
Increase (decrease) in notes and accounts payable	730,281	1,371,572
Increase (decrease) in notes and accounts payable - related parties	(577)	(1,199)
Increase (decrease) in other payables	137,428	(244)
Increase (decrease) in other payables - related parties	-	(2,110)
Increase (decrease) in provisions	53,187	23,292
Increase (decrease) in other current liabilities	4,228	5,231
Increase (decrease) in accrued pension liabilities	(1,926)	(1,909)
Cash generated from operations	<u>5,500,245</u>	<u>1,681,605</u>

(To be continued)

**L&K Engineering Co., Ltd.**  
**Parent Company Only Statements of Cash Flows (Cont'd)**  
**For the Years Ended December 31, 2022 and 2021**

Unit : NT\$1,000

	<b>For the Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest received	\$ 55,310	\$ 15,534
Dividend received	100,000	103,396
Interest paid	(19,503)	(34,963)
Income tax paid	(294,946)	(24,451)
Net Cash Provided by (Used in) Operating Activities	5,341,106	1,741,121
<b><u>Cash Flows from Investing Activities</u></b>		
Acquisition of financial assets at fair value through profit or loss	(4,620)	-
Acquisition of financial assets at fair value through other comprehensive income	-	(50,000)
Proceeds from disposal of investments accounted for under the equity	-	4,900
Acquisition of property, plant and equipment	(7,547)	(8,030)
Proceeds from disposal of property, plant and equipment	42	25
Acquisition of investment property	(284)	-
Acquisition of intangible assets	(7,796)	(4,125)
Decrease (increase) in other financial assets	131,977	309,901
Net Cash Provided by (Used in) Investing Activities	111,772	252,671
<b><u>Cash Flows from Financing Activities</u></b>		
Increase (decrease) in short-term debt	480,000	(660,000)
Increase (decrease) in short-term notes and bills payable	(400,000)	200,000
Increase (decrease) in long-term notes and bills payable	1,703,387	1,593,933
Decrease in long-term notes and bills payable	(2,407,086)	(2,381,114)
Increase (decrease) in guarantee deposit received	(2,271)	1,353
Repayment of the principal portion of lease liabilities	(9,637)	(3,384)
Cash dividend paid	(338,311)	(225,541)
Net Cash Generated by (Used in) Investing Activities	(973,918)	(1,474,753)
Effect of exchange rate changes	27,141	(20,577)
Net Increase (Decrease) in Cash and Cash Equivalents	4,506,101	498,462
Cash and Cash Equivalents at Beginning of Period	1,251,405	752,943
Cash and Cash Equivalents at End of Period	\$ 5,757,506	\$ 1,251,405

(The accompanying notes are an integral part of the financial statements)  
(12)

## Statement

According to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the companies required to be included in the consolidated financial statements of affiliates under these Criteria are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Therefore, for the year 2022 (2022/1/1 to 2022/12/31) The Company hereby declares that it shall no longer prepare separate consolidated financial statements of affiliates.

Company name: L&K Engineering Co., Ltd.

Responsible person: Chu-Shiang Yao

2023/3/10

**L&K Engineering Co., Ltd. and Subsidiaries**  
**Independent Auditor's Report**

To the Board of Directors and Stockholders of L&K Engineering Co., Ltd. :

**Opinion**

We have audited the accompanying consolidated balance sheets of L&K Engineering Co., Ltd and subsidiaries (“the Group”) as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2022 and 2021.

In our opinion, based on our audits and the reports of the other independent accountants referred to in other matter section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, and the results of its operations and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standard, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standard Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

**Basis of opinion**

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

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, our judgment should be communicated in the audit report on the key check items as follows:

(3) Construction contract revenue and profit recognition

Please refer to Note 4(19) for the accounting policy of the revenue and profit of the construction contract. Please refer to Note 5(2)(A) for estimates and assumptions of the construction contract. Please refer to Note 6(26) for disclosures of construction contracts revenue.

**Description:**



Construction contract revenue and profit should be recognized with reference to the completion degree of individual contract at the period end of the financial report, measured by the proportion of cost incurred to the estimated total contract cost. The change in estimate may result in significant adjustments to revenue and profits.

**How our audit addressed the matter:**

The principal auditing procedures include testing the design of internal control for the construction contract revenue and receivable collection and its effectiveness of implementation. For major construction contracts entered or those with significant changes total revenue and estimated total cost in the year, review the relevant the contract and minutes, and understand the rationality of the project manager's assessment of the estimated total cost of construction contracts or the reasons for the changes; assessing whether the Group's accounting policy on revenue recognition is in accordance with the related accounting standards.

**(4) Receivable impairment**

Please refer to Note 4(7) for the accounting principles of receivable impairment. Please refer to Note 5(2)(B) for accounting estimates and assumptions about receivable impairment. Please refer to Note 6(3), Note 6(4) and Note 6(27) for the disclosure of receivable impairment.

**Description:**

The impairment of receivables is recognized by management through various external evidence assessments. Impairment of receivables involves management's judgment and the influence of various factors, which may lead to an increase in the inaccuracy of accounting estimates.

**How our audit addressed the matter:**

The main auditing procedures include examining whether the receivables evaluation policy is handled in accordance with reporting standards, and for the accounts overdue for a longer period in the aging analysis, understanding the reasons and subsequent collections, and obtaining documents related to management's estimates of the expected credit losses and impairment of accounts receivable, and assessing their reasonableness and the appropriateness of related disclosures.

**Other matter**

We did not audit the financial statements of RSEA Engineering Corporation (privatized 2009), which were audited by other auditors. Our audit, insofar as it related to RSEA Engineering Corporation (privatized 2009), is based on the other auditors' reports. RSEA Engineering Corporation (privatized 2009) had total assets of NT\$13,980,020 thousand and NT\$12,270,186 thousand, constituting 28.52% and 38.06% of consolidated total assets as of December 31, 2022 and 2021, total liabilities of NT\$10,464,090 thousand and NT\$8,959,720 thousand, constituting 28.90% and 42.98% of consolidated total liabilities as of December 31, 2022 and 2021, and total operating revenues of NT\$12,627,993 thousand and NT\$9,240,873 thousand, constituting 35.33% and 38.90% of consolidated total operating revenues for the years ended December 31, 2022 and 2021. We have also audited the parent company only financial

statements of L&K Engineering Co., Ltd as of and for the years ended December 31, 2022 and 2021, and have expressed an unqualified opinion on such financial statements.

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparations of Financial Report by Securities Issuers and International Financial Reporting Standard, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standard Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China, and for internal control necessary to enable the preparation of the Group's financial statements to be free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

L.H. CHEN & CO., CPAs

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March 10, 2023

**L&K Engineering Co., Ltd. and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2022 and 2021**

Unit : NT\$1,000

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current Assets</b>						<b>Current Liabilities</b>					
1100	Cash and cash equivalents (Note 6(1))	\$ 9,955,154	20	\$ 4,219,083	13	2100	Short-term borrowings (Note 6(15)&7(2))	\$ 2,032,051	4	\$ 1,562,863	5
1110	Financial assets at fair value					2110	Short-term notes and bills payable (Note 6(16))	1,297,538	3	1,648,743	5
	through profit or loss - current (Note 6(2))	192,358	-	302,292	1	2130	Liabilities of contract - current (Note 6(26))	18,157,517	37	4,859,035	15
1140	Contract assets - current (Note 6(26)&7(2))	11,145,251	23	10,592,600	34	2150	Notes payable	191,903	-	189,413	1
1150	Notes receivable, net (Note 6(3))	301,927	1	248,769	1	2170	Accounts payable	10,750,808	21	9,160,874	27
1170	Accounts receivable, net (Note 6(3))	5,889,922	12	5,889,799	18	2180	Accounts payable - related parties (Note 7(2))	273	-	1,605	-
1200	Other receivables, net (Note 6(4))	30,820	-	81,497	-	2200	Other payables	716,694	1	481,033	1
1220	Current tax assets	249,758	1	27,079	-	2220	Other payables - related parties (Note 7(2))	26,592	-	239,614	1
130X	Inventories, net (Note 6(5))	695,400	1	606,301	2	2230	Current tax liabilities	284,274	1	133,242	-
1410	Prepayments (Note 6(6))	10,870,088	22	2,363,529	7	2250	Provisions - current (Note 6(17))	259,780	1	213,147	1
1476	Other financial assets - current (Note 6(7))	4,562,367	9	3,373,857	11	2280	Lease liability (Note 6(18))	77,544	-	10,938	-
1479	Other current assets	42,852	-	50,237	-	2320	Long-term borrowings - current portion (Note 6(19))	326,907	1	270,370	1
11XX	<b>Total Current Assets</b>	<b>43,935,897</b>	<b>89</b>	<b>27,755,043</b>	<b>87</b>	2399	Other current liabilities	151,721	-	154,484	-
						21XX	<b>Total Current Liabilities</b>	<b>34,273,602</b>	<b>69</b>	<b>18,925,361</b>	<b>57</b>
<b>Noncurrent Assets</b>						<b>Noncurrent Liabilities</b>					
1510	Financial assets at fair value					2540	Long-term borrowings (Note 6(19)&7(2))	1,331,719	3	1,467,845	5
	through profit or loss - non-current (Note 6(2))	4,620	-	-	-	2570	Deferred income tax liabilities (Note 6(30)(D))	276,936	1	176,973	1
1517	Financial assets at fair value through other comprehensive income (Notes 6(8))	515,431	1	353,984	1	2580	Lease liabilities - non-current (Note 6(18))	58,720	-	14,397	-
1550	Investments accounted for using the equity method (Note 6(9))	-	-	-	-	2640	Accrued pension cost (Note 6(20))	29,512	-	40,571	-
1600	Property, plant and equipment, net (Note 6(10))	847,439	2	749,636	2	2645	Guarantee deposits received	235,436	-	222,271	1
1755	Right-of-use assets (Note 6(11))	2,827,594	6	2,724,863	8	25XX	<b>Total Noncurrent Liabilities</b>	<b>1,932,323</b>	<b>4</b>	<b>1,922,057</b>	<b>7</b>
1760	Investment property, net (Note 6(12))	99,939	-	101,670	-	2XXX	<b>Total Liabilities</b>	<b>36,205,925</b>	<b>73</b>	<b>20,847,418</b>	<b>64</b>
1780	Intangible assets (Note 6(13))	31,128	-	20,401	-						
1840	Deferred income tax assets (Note 6(30)(D))	271,247	1	237,885	1	<b>Equity Attributable to Shareholders of the Parent</b>					
1980	Other financial assets - non-current (Note 6(7)&7(2))	206,883	-	46,198	-	3100	Capital stock				
1985	Other long-term investments (Note 6(14))	276,480	1	249,165	1	3110	Common stock (Note 6(21))	2,255,409	5	2,255,409	7
1995	Other noncurrent assets	1,584	-	1,078	-	3200	Capital surplus (Note 6(22))	2,853,613	6	2,847,935	9
15XX	<b>Total Noncurrent Assets</b>	<b>5,082,345</b>	<b>11</b>	<b>4,484,880</b>	<b>13</b>	3300	Retained earnings (Note 6(23))				
						3310	Legal reserve	1,225,456	2	1,192,763	4
						3320	Special reserve	362,153	1	453,961	1
						3350	Unappropriated earnings	2,132,806	4	1,406,700	4
						3400	Others (Note 6(24))	(133,708)	1	(362,153)	-
						31XX	<b>Equity Attributable to Shareholders of the Parent</b>	<b>8,695,729</b>	<b>19</b>	<b>7,794,615</b>	<b>25</b>
						36XX	<b>Noncontrolling Interests (Note 6(25))</b>	<b>4,116,588</b>	<b>8</b>	<b>3,597,890</b>	<b>11</b>
						3XXX	<b>Total Equity</b>	<b>12,812,317</b>	<b>27</b>	<b>11,392,505</b>	<b>36</b>
1XXX	<b>Total Assets</b>	<b>\$ 49,018,242</b>	<b>100</b>	<b>\$ 32,239,923</b>	<b>100</b>	3X2X	<b>Total Liabilities and Equity</b>	<b>\$ 49,018,242</b>	<b>100</b>	<b>\$ 32,239,923</b>	<b>100</b>

(The accompanying notes are an integral part of the financial statements)

**L&K Engineering Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the Years Ended December 31, 2022 and 2021**

Unit : NTS1,000  
(Except EPS)

	For the Years Ended December 31,			
	2022		2021	
	Amount	%	Amount	%
4000 <b>Operating Revenue (Note 6(26)&amp;7(2))</b>	\$ 35,738,886	100	\$ 23,752,829	100
5000 <b>Operating Costs</b>	(33,001,985)	(92)	(22,348,827)	(94)
5900 <b>Gross Profit</b>	2,736,901	8	1,404,002	6
6000 <b>Operating Expenses</b>				
6100 Selling expenses (Note 6(28))	(22,287)	-	(18,616)	-
6200 General and administrative expenses (Note 6(28)&7(2))	(728,843)	(2)	(585,966)	(2)
6300 Research and development expenses	(137,234)	-	(118,202)	-
6450 Expected credit loss/benefit (Note 6(27))	(231,358)	(1)	(400,154)	(2)
Total operating expenses	(1,119,722)	(3)	(1,122,938)	(4)
6900 <b>Net Operating Income</b>	1,617,179	5	281,064	2
7000 <b>Non-operating Income and Expenses</b>				
7100 Interest income (Note 6(29))	91,135	-	35,029	-
7010 Other income (Note 6(29))	41,113	-	38,048	-
7020 Other gains and losses (Note 6(29))	17,287	-	124,282	1
7050 Finance costs (Note 6(29))	(62,718)	-	(78,877)	-
7060 Share of profits of associates and joint venture by using the equity method (Note 6(9))	-	-	2,023	-
Total non-operating income and expenses	86,817	-	120,505	1
7900 <b>Income before Income Tax</b>	1,703,996	5	401,569	3
7950 <b>Income Tax Expense (Note 6(30))</b>	(419,973)	(1)	(77,460)	-
8200 <b>Net Income</b>	1,284,023	4	324,109	3
8300 <b>Other Comprehensive Income (Loss)</b>				
8310 Items that are not to be reclassified to profit or loss				
8311 Re-measurements from defined benefit plans (Note 6(20))	9,134	-	6,909	-
8316 Unrealized loss on investments in instruments at fair value through other comprehensive income (Note 6(24))	73,227		111,270	
8349 Income tax relating to the components of other comprehensive income - items that will not be reclassified to profit or loss (Note 6(30))	(1,827)	-	(1,382)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences arising on translation of foreign operations	247,445	1	(14,007)	-
8399 Income tax benefit (expense) related to components of other comprehensive income (Note 6(30))	(38,820)	-	4,862	-
8300 <b>Other comprehensive income (loss) for the period, net of income tax</b>	289,159	1	107,652	-
8500 <b>Total Comprehensive Income for the Period</b>	\$ 1,573,182	5	\$ 431,761	3
8600 <b>Net Income (Loss) Attributable to:</b>				
8610 <b>Owners of the parent</b>	\$ 999,138		\$ 321,400	
8620 <b>Noncontrolling interests</b>	\$ 284,885		\$ 2,709	
8700 <b>Total Comprehensive Income (Loss) Attributable to:</b>				
8710 <b>Owners of the parent</b>	\$ 1,233,747		\$ 418,735	
8720 <b>Noncontrolling interests</b>	\$ 339,435		\$ 13,026	
9750 <b>Basic Earnings Per Share (Note 6(31))</b>	\$ 4.43		\$ 1.43	
9850 <b>Diluted Earnings Per Share (Note 6(31))</b>	\$ 4.40		\$ 1.42	

(The accompanying notes are an integral part of the financial statements)

**L&K Engineering Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the Years Ended December 31, 2022 and 2021**

Unit : NTS1,000

Items	Equity Attributable to Shareholders of the Parent										
							Other Equity		Total	Noncontrolling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings		Accumulated Balances of Exchange Differences on Translating Foreign Operations	Unrealized Gain/Loss on financial assets measured at fair value through other comprehensive income				
				Special Capital Reserve	Unappropriated Earnings						
Balance, January 1, 2021	\$ 2,255,409	\$ 2,847,935	\$ 1,158,672	\$ 369,111	\$ 1,424,255	\$ (366,780)	\$ (87,181)	\$ 7,601,421	\$ 3,635,080	\$ 11,236,501	
Appropriation of prior year's earnings:					-						
Legal reserve	-	-	34,091	-	(34,091)	-	-	-	-	-	
Special reserve	-	-	-	84,850	(84,850)	-	-	-	-	-	
Cash dividends	-	-	-	-	(225,541)	-	-	(225,541)	-	(225,541)	
Net income for the year ended December 31, 2021	-	-	-	-	321,400	-	-	321,400	2,709	324,109	
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	5,527	(19,462)	111,270	97,335	10,317	107,652	
Total comprehensive income for the year ended December 31, 2021	-	-	-	\$ -	326,927	(19,462)	111,270	418,735	13,026	431,761	
Increase (Decrease) in noncontrolling interests	-	-	-	-	-	-	-	-	(50,216)	(50,216)	
Balance, December 31, 2021	\$ 2,255,409	\$ 2,847,935	\$ 1,192,763	453,961	\$ 1,406,700	\$ (386,242)	\$ 24,089	\$ 7,794,615	\$ 3,597,890	\$ 11,392,505	

Items	Equity Attributable to Shareholders of the Parent						Other Equity		Total	Noncontrolling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings		Accumulated Balances of Exchange Differences on Translating Foreign Operations	Unrealized Gain/Loss on financial assets measured at fair value through other comprehensive income				
				Special Capital Reserve	Unappropriated Earnings						
Balance, January 1, 2022	\$ 2,255,409	\$ 2,847,935	\$ 1,192,763	\$ 453,961	\$ 1,406,700	\$ (386,242)	\$ 24,089	\$ 7,794,615	\$ 3,597,890	\$ 11,392,505	
Appropriation of prior year's earnings:											
Legal reserve	-	-	32,693	-	(32,693)	-	-	-	-	-	
Special reserve	-	-	-	(91,808)	91,808	-	-	-	-	-	
Cash dividends	-	-	-	-	(338,311)	-	-	(338,311)	-	(338,311)	
Net income for the year ended December 31, 2022	-	-	-	-	999,138	-	-	999,138	284,885	1,284,023	
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	7,307	154,075	73,227	234,609	54,550	289,159	
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,006,445	154,075	73,227	1,233,747	339,435	1,573,182	
From share of changes in equities of subsidiaries	-	5,678	-	-	(1,143)	1,143	-	5,678	(5,678)	-	
Increase (Decrease) in noncontrolling interests	-	-	-	-	-	-	-	-	184,941	184,941	
Balance, December 31, 2022	\$ 2,255,409	\$ 2,853,613	\$ 1,225,456	\$ 362,153	\$ 2,132,806	\$ (231,024)	\$ 97,316	\$ 8,695,729	\$ 4,116,588	\$ 12,812,317	

(The accompanying notes are an integral part of the financial statements)

**L&K Engineering Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

Unit : NTS1,000

	<b>For the Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Income before income tax	\$ 1,703,996	\$ 401,569
Adjustments for		
Depreciation expense	156,637	141,948
Amortization expense	9,080	6,036
Expected credit loss (reversal)	231,358	400,154
Loss (gain) on financial assets at fair value through profit or loss	109,934	(82,270)
Interest expense	62,718	78,877
Interest income	(91,135)	(35,029)
Dividend income	(22,272)	(13,249)
Share of profits of associates and joint venture by using the equity method	-	(2,023)
Loss (gain) on disposal of investments accounted for using the equity method	-	(2,322)
Loss (gain) on disposal of property, plant and equipment	(120)	333
Loss on lease modification	-	(62)
Changes in operating assets and liabilities:		
Decrease (increase) in current contract assets	(784,580)	85,585
Decrease (increase) in notes receivable	(49,942)	(171,668)
Decrease (increase) in accounts receivable	(43,739)	(2,947,169)
Decrease (increase) in other receivables	57,960	(59,305)
Decrease (increase) in inventories, net	95,105	80,843
Decrease (increase) in prepayments	(8,489,896)	(493,688)
Decrease (increase) in other current assets	7,517	(10,815)
Increase (decrease) in current contract liabilities	13,240,325	320,532
Increase (decrease) in notes payable	220	155,906
Increase (decrease) in accounts payable	1,514,438	3,366,364
Increase (decrease) in accounts payable - related parties	(1,332)	1,155
Increase (decrease) in other payables	228,233	138,266
Increase (decrease) in provisions	46,633	20,509
Increase (decrease) in other current liabilities	(2,763)	24,880
Increase (decrease) in accrued pension liabilities	(1,926)	(1,909)
Cash generated from operations	<u>7,976,449</u>	<u>1,403,448</u>

(To be continued)

**L&K Engineering Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Cash Flows (Cont'd)**  
**For the Years Ended December 31, 2022 and 2021**

Unit : NTS1,000

	<b>For the Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest received	\$ 78,944	\$ 39,087
Dividend received	22,272	13,249
Interest paid	(54,426)	(72,443)
Income tax paid	(460,492)	(44,988)
Net Cash Provided by (Used in) Operating Activities	<u>7,562,747</u>	<u>1,338,353</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Acquisition of financial assets at fair value through profit or loss	(4,620)	-
Acquisition of financial assets at fair value through other comprehensive income	(88,230)	(50,000)
Disposal of investments accounted for using the equity method	-	4,900
Acquisitions of investment property	(284)	-
Acquisitions of property, plant and equipment	(152,587)	(69,584)
Proceeds from disposal of property, plant and equipment	718	79
Acquisitions of intangible assets	(19,316)	(6,302)
Decrease (increase) in other financial assets	(1,312,358)	745,506
Net Cash Provided by (Used in) Investing Activities	<u>(1,576,677)</u>	<u>624,599</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Increase (decrease) in short-term debt	466,787	52,722
Increase (decrease) in short-term notes and bills payable	(350,000)	300,000
Increase in long-term notes and bills payable	2,697,388	1,699,933
Decrease in long-term notes and bills payable	(2,774,104)	(2,436,647)
Increase (decrease) in long-term notes and bills payable - related parties	-	1,299
Increase (decrease) in other payables - related parties	-	15,272
Increase (decrease) in guarantee deposit received	13,165	51,636
Cash dividend paid	(338,311)	(225,541)
Increase (decrease) in noncontrolling interests	(48,499)	(50,216)
Payment of lease liabilities	(28,433)	(22,857)
Net Cash Generated by (Used in) Financing Activities	<u>(362,007)</u>	<u>(614,399)</u>
Effect of exchange rate changes	<u>112,008</u>	<u>(49,230)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,736,071	1,299,323
Cash and Cash Equivalents at Beginning of Period	<u>4,219,083</u>	<u>2,919,760</u>
Cash and Cash Equivalents at End of Period	<u>\$ 9,955,154</u>	<u>\$ 4,219,083</u>

(The accompanying notes are an integral part of the financial statements)



## Attachment 4

L&K Engineering Co., Ltd.

### Sustainable Development Best Practice Principles

#### Chapter I. General Principles

##### Article 1

The following Best Practice Principles were formulated by the Company for the fulfilment of its corporate social responsibility, and to promote economic, environmental, and social advancement for the purpose of sustainable development in accordance with the “Sustainable Best Practice Principles for TWSE/TPEX Listed Companies” and related laws and regulations.

##### Article 2

The Principles apply to the entire operations of the Company.

The Company shall actively implement sustainable development during the course of business operations in accordance with international development trends. By acting as a corporate responsible citizen, the Company shall increase its contribution to the national economy, improve the quality of life for employees, communities and the society, and promote competitive advantages built around sustainable development.

##### Article 3

In promoting sustainable development initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.

The Company shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.

##### Article 4

To implement sustainable development initiatives, the Company shall follow the principles below:

- I. Exercise corporate governance.
- II. Foster a sustainable environment.
- III. Preserve public welfare.
- IV. Enhance disclosure of corporate sustainable development information.

## Chapter II. Exercising Corporate Governance

### Article 5

The Directors of the Company shall exercise the due care of good administrators to urge the company to perform its sustainable development initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its sustainable development policies.

### Article 6

To ensure the effective management and governance of sustainable development, the Company has established a part-time unit for sustainable development. The unit is responsible for the proposal and implementation of sustainable development policies, systems, or related management guidelines, as well as the making of reports to the Board of Directors.

### Article 7

The Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders. The Company's employee performance evaluation system should be combined with sustainable development policies, and a clear and effective incentive and discipline system be established.

### Article 8

The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper

communication with them, and adequately respond to the important sustainable development issues which they are concerned about.

### Chapter III. Fostering a Sustainable Environment

#### Article 9

The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment, and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

#### Article 10

The Company should endeavor to utilize energy more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

#### Article 11

The Company should establish proper environment management systems based on the characteristics of its industry. Such systems shall include the following tasks:

- I. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
- II. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
- III. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

#### Article 12

The Company should establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for its managerial officers and other

employees on a periodic basis.

#### Article 13

The Company should take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from its business operations:

- I. Reduce resource and energy consumption of products and services.
- II. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
- III. Improve recyclability and reusability of raw materials or products.
- IV. Maximize the sustainability of renewable resources.
- V. Enhance the durability of products.
- VI. Improve efficiency of products and services.

#### Article 14

To improve water use efficiency, the Company shall properly and sustainably use water resources and establish relevant management measures.

The Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use its best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

#### Article 15

The Company should adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

- I. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.

II. Indirect greenhouse gas emissions: emissions resulting from the utilization of energy such as imported electricity, heating, or steam.

The Company should monitor the impact of climate change on operating activities, and adopt corresponding response measures based on the operating conditions and the outcomes of greenhouse gas inventory.

#### Chapter IV. Preserving Public Welfare

##### Article 16

The Company shall comply with labor and human rights, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that its human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

An effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force shall be provided by the Company to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. Any employee's grievances shall be responded to in an appropriate manner.

##### Article 17

The Company shall provide information for its employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.

##### Article 18

The Company provides safe and healthful work environments for employees, including

necessary health and first-aid facilities, and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The Company organizes training on safety and health for employees on a regular basis.

#### Article 19

The Company should create an environment conducive to the development of employees' careers and establish effective training programs to foster career skills.

The business performance or achievements of the Company shall be reflected appropriately in the employee remuneration policy to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

#### Article 20

The Company has established channel for regular two-way communication with employees, giving the employees the right to obtain relevant information on and express their opinions on the company's operations, management and decisions.

The Company respects the right of employee representatives to bargain on working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The Company shall, by reasonable means, inform employees of operation changes that might have material impacts.

#### Article 21

The Company shall take responsibility for its products and services, and take marketing ethics seriously. The research and development, procurement, production, operations, and service processes of the Company shall ensure the transparency and safety of products and services. Policies on consumer rights and interests shall be formulated, disclosed, and enforced in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.

## Article 22

The Company ensures the quality of its products and services by following the laws and regulations of the government and relevant industry standards.

The Company shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, products and services, and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

## Article 23

The Company should to assess the impact its procurement has on society as well as the environment of the community that it is procuring from, and shall cooperate with suppliers to jointly implement corporate social responsibility.

Prior to engaging in commercial dealings, the Company should assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with suppliers in breach of its corporate social responsibility policy.

## Article 24

The Company evaluates the impact of business operations on the community, and employ personnel when appropriate from the location of the business operations to enhance community acceptance.

The Company participates in events held by citizen organizations, charities and local government agencies relating to community development and community education through commercial activities, endowments, volunteering service or other charitable professional services to promote community development.

## Chapter V. Enhancing Disclosure of Sustainable Development Information

## Article 25

The Company discloses information according to relevant laws, regulations and the

Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies and shall fully disclose relevant and reliable information relating to its sustainable development initiatives to improve information transparency.

The following information relating to sustainable development are disclosed by the Company:

- I. The policy, systems or relevant management guidelines, and concrete promotion plans for sustainable development initiatives, as resolved by the board of directors.
- II. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
- III. Major stakeholders and their concerns.
- IV. Other information relating to sustainable development initiatives.

#### Article 26

The Company shall adopt internationally widely recognized standards or guidelines when producing sustainability reports, to disclose the status of its implementation of the sustainable development policy. Third-party assurance or verification should also be obtained for reports to enhance the reliability of the information in the reports. The contents shall include:

- I. The policy, system, or relevant management guidelines and concrete promotion plans for implementing sustainable development initiatives.
- II. Major stakeholders and their concerns.
- III. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
- IV. Future improvements and goals.

#### Chapter VI. Appendix

#### Article 27

The Company shall at all times monitor the development of domestic and foreign



sustainable development standards and the change of business environment so as to examine and improve its established sustainable development framework, and to obtain better results from the promotion of the sustainable development policy.

#### Article 28

These Principles shall take effect after being approved by the Audit Committee and the Board of Directors, and reported to the Shareholders' Meeting. The same applies to all amendments.

## Appendix 1

### **L&K Engineering Co., Ltd. Rules of Procedure for the Shareholders' Meeting**

Article 1: The Shareholders' Meeting of the Company shall be conducted in accordance with the Rules specified herein.

Article 2: The Company may furnish the attending shareholders with an attendance log to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares represented during the meeting is calculated based on the total amount registered in the attendance log or the attendance cards collected, plus the number of shares where voting rights are exercised in writing or through electronic means.

Article 3: If the shareholders' meeting is convened by the board of directors, the chairman of the board shall preside over the meeting. If the chairman is unable to perform his/her duties due to leave of absence or for any other reason, the process shall follow Article 208 of the Company Act.

The Company may designate retained lawyers, certified public accountants or relevant personnel to attend the shareholders' meeting.

Article 4: The chair shall call the meeting to order when the attending shareholders represent a majority of the total number of issued shares. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is still not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.

If prior to the end of the meeting the shareholders present represent at least half of the total issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 5: Agenda of a shareholders meeting called by the board shall be decided by the board. The meeting shall proceed according to the agenda unless changed by a shareholders meeting resolution.

The above provision applies mutatis mutandis to cases where the meeting is convened by any person, other than the Board of Directors, entitled to convene such meeting.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the attending shareholders may elect a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

After the meeting is adjourned, shareholders shall not elect another chairperson to

resume the meeting at the same venue or another venue.

Article 6: The chair may put the meeting in recess at appropriate times. In the occurrence of force majeure events, the chair may suspend the meeting temporarily and resume at another time.

If the shareholders' meeting is unable to conclude all scheduled agenda items (including special motions) before the venue is due to be returned, participants may resolve to continue the meeting at an alternative location.

Shareholders may also resolve to postpone or resume the meeting within the next five days, according to Article 182 of the Company Act.

Article 7: Shareholders who wish to speak during the meeting must produce an opinion slip detailing the topics and the shareholder's account number (or the attendance ID serial). The order of shareholders' comments shall be determined by the chair.

A shareholder present at the meeting that merely submits a statement slip without speaking is considered not to have spoken. If the contents of the statement do not conform to the contents of the statement slip, the contents of the statement shall govern. Unless given consent by the chair and the speaking shareholder, other shareholders may not interrupt when a shareholder is speaking; otherwise the chair shall stop the interruption.

Article 8: Each shareholder shall speak no more than twice, for five minutes each, on the same agenda item unless otherwise agreed by the chair. The chair may stop shareholders from speaking if they violate the rules or speak outside the agenda item under discussion.

Article 9: In the event an institutional shareholder assigns two or more representatives to attend the shareholders' meeting, only one of the representatives may speak on any single agenda item.

Article 10: After a shareholder present at the meeting speaks, the chair may reply in person or assign relevant personnel to reply.

Article 11: The chair may announce to discontinue further discussion of amendments or special motions proposed during the meeting if the issue in question is considered to have been sufficiently discussed and proceed with the voting.

Where there is an amendment or an alternative for a proposal, the chair shall determine the order in which they are to be voted on with the original proposal. If any of these proposals is approved, alternative proposals shall be treated as rejected and not be voted on separately.

Article 12: Unless otherwise regulated by the Company Act or the Articles of Incorporation, an

agenda item is passed when supported by shareholders who represent more than half of the total voting rights in the meeting. While voting is in progress, the chair or delegate thereof shall announce the total number of voting rights represented in the meeting for every agenda item discussed.

A shareholder shall be entitled to one vote for each share held, except for shares where voting rights are restricted as described in Article 179, Paragraph 2 of the Company Act.

When a shareholder is unable to attend the shareholders' meeting for whatever the reason, the shareholder may present a proxy statement printed by ASE that states the scope of authorization to entrust a proxy to attend the shareholders' meeting. With the exception of trust enterprises or stock affairs agencies approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy, which are in excess of three percent of the voting rights represented by the total number of issued shares, are not included in the calculation.

When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a declaration of will to cancel the casting of the voting rights in the preceding paragraph shall be submitted two business days before the meeting date by the same means with which the voting rights are exercised. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Other matters relating to proxy appointment shall be handled in accordance with regulations of the competent authority.

Shareholders can not vote, or appoint proxies to vote, on any agenda items in which they have a conflict of interest that would be detrimental to the best interests of the company.

Article 13: The chairperson shall appoint monitors and ballot counters for voting on proposals. For qualifications, monitors must be shareholders. The results of each vote shall be announced on site and made into minutes.

Article 14: The chair may instruct marshals or security staff to help maintain order in the meeting. While maintaining order in the meeting, all marshals or security staff must wear arm bands which identify their roles.

Article 15: Venue of shareholders meetings shall be where the Company is located or a different location convenient for shareholders to attend and for the meeting to be held with a commencement time no earlier than 9.00 a.m. or later than 3.00 p.m.

Article 15-1: The Company shall specify in its shareholders meeting notices the time during

which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Article 16: The company's shareholder meetings shall be video or audio recorded and kept for at least one year.

Article 17: All matters not provided by these Rules herein shall be handled in accordance with the Company Act, relevant laws and regulations, as well as the Company's Articles of Incorporation.

Article 18: These Rules shall come into force on the approval of the shareholders' meeting, as shall any amendment.

## Appendix 2

### **L&K Engineering Co., Ltd. Articles of Incorporation**

#### **Chapter 1 General Principles**

Article 1: The Company shall be incorporated, as a company limited by shares, under the Company Act and its name shall be 亞翔工程股份有限公司 in the Chinese language (and L&K Engineering Co., Ltd. in the English language).

Article 2: The scope of business of the Company is as follows:

- i. CB01030 Pollution Controlling Equipment Manufacturing.
- ii. CB01071 Frozen and Air-Conditioning Equipment Manufacturing.
- iii. E501011 Tap Water Pipelines Contractors.
- iv. E502010 Fuel Catheter Installation Engineering.
- v. E599010 Piping Engineering.
- vi. E601010 Electric Appliance Construction.
- vii. E601020 Electric Appliance Installation.
- viii. E602011 Refrigeration and Air Conditioning Engineering.
- ix. E603010 Cable Installation Engineering.
- x. E603020 Elevator Installation Engineering.
- xi. E603040 Fire Safety Equipment Installation Engineering.
- xii. E603050 Automatic Control Equipment Engineering.
- xiii. E603090 Lighting Equipments Construction.
- xiv. E603100 Electric Welding Engineering.
- xv. E604010 Machinery Installation.
- xvi. E605010 Computer Equipment Installation.
- xvii. E701010 Telecommunications Construction.
- xviii. E701030 Controlled Telecommunications Radio-Frequency Devices Installation Engineering.
- xix. E801010 Indoor Decoration.
- xx. E801061 Interior Decoration Construction and Repairing.
- xxi. E801020 Doors and Windows Installation Engineering.
- xxii. E801030 Indoor Light-gauge Steel Frame Engineering.
- xxiii. E801040 Glass Installation Engineering.
- xxiv. E801070 Kitchenware and Sanitary Fixtures Installation Engineering.
- xxv. E901010 Painting Engineering.
- xxvi. E903010 Anti-Corrosion and Anti-Rust Engineering.
- xxvii. EZ05010 Instrument and Meters Installation Engineering.
- xxviii. EZ06010 Traffic Marking Engineering.
- xxix. EZ09010 Electrostatic Protection and Cancellation Engineering.
- xxx. EZ13010 Nuclear Engineering.
- xxxi. EZ15010 Warming and Cooling Maintenance Construction.
- xxxii. F113020 Wholesale of Electrical Appliances.

xxxiii.	F113990	Wholesale of Other Machinery and Tools.
xxxiv.	F113100	Wholesale of Pollution Controlling Equipments.
xxxv.	F213010	Retail Sale of Electrical Appliances.
xxxvi.	F213990	Retail Sale of Other Machinery and Tools.
xxxvii.	F401010	International Trade.
xxxviii.	I501010	Product Designing.
xxxix.	IG03010	Energy Technical Services.
xl.	A101020	Growing of Crops.
xli.	A101050	Growing of Flowers.
xlvi.	A102020	Agricultural Products Preparations.
xlvi.	F101130	Wholesale of Vegetables and Fruits.
xliv.	F201010	Retail Sale of Agricultural Products.
xl.	F501030	Beverage Shops.
xlvi.	F501060	Restaurants.
xlvi.	J601010	Arts and Literature Service.
xlvi.	J701020	Amusement Parks.
xlvi.	J701070	Information Recreational.
l.	J801030	Athletics and Recreational Sports Stadium.
li.	J901020	Regular Hotel.
lii.	ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

- Article 3: The Company may provide endorsement and guarantee as needed for business purpose.
- Article 4: The total amount of the Company's reinvestment shall not be subject to the restriction of not more than forty percent of its paid-in capital; however, long-term equity investments shall be resolved by the Board of Directors.
- Article 5: The Company shall have its head office in Taipei City, Taiwan, Republic of China, and may, when necessary, set up, cancel or change branch or representative offices inside and outside the territory of the Republic of China following the resolution of the Board of Directors.
- Article 6: Public announcements by the Company shall be made by a method in accordance with Article 28 of the Company Act.

## Chapter 2     Shares

- Article 7: The total capital of the Company shall be NT\$3.5 billion, divided into 350 million shares with a par value of NT\$10 each, and the Board of Directors is authorized to issue unissued shares in installments.
- The Company may issue employee stock options. A total of 5 million shares among the above total capital stock should be reserved for issuing employee stock options.

- Article 7-1: The subscription price of the employee stock options issued by the Company may be lower than the closing price on the issuing date, provided, however, that it must conform to applicable laws and regulations and is approved at the shareholders' meeting. The issuance of employee stock options by the Company may be registered in multiples over a period of one year from the date of the resolution of the shareholders' meeting.
- Article 7-2: Treasury stocks bought back by the Company may be granted to employees at a price lower than the average price for actual buy back of the Company's shares, provided, however, that it must conform to applicable laws and regulations and be approved at the shareholders' meeting.
- Article 7-3: Treasury stocks purchased by the Company may be transferred to employees of parents or subsidiaries of the company meeting certain specific requirements. Employee stock options of the Company may be issued to employees of parents or subsidiaries of the company meeting certain specific requirements. When the Company issues new shares, such new shares may be reserved for subscription by employees of parents or subsidiaries of the company meeting certain specific requirements.
- Employees who are entitled to receive restricted stock for employees issued by the Company may include employees of parents or subsidiaries of the company meeting certain specific requirements.
- For employees of parents or subsidiaries who meet the specific requirements prescribed in Paragraphs 1 to 4, the Board of Directors is authorized to determine such specific requirements.
- Article 8: The share certificates of the Company shall all be name-bearing share certificates, assigned with serial numbers, and affixed with the signature or seal of the director representing the Company, and shall be legally authenticated before issuance.
- Article 9: The Company may be exempted from printing name-bearing share certificates, provided however that it registers the issued shares with a centralized securities depository enterprise.
- Article 10: Deleted.
- Article 11: Deleted.
- Article 12: Title transfer of stocks shall be suspended, in accordance with law, within sixty days before the annual shareholders' meeting is held, within thirty days before a shareholders' provisional meeting is held, or within five days before the base date for distribution of bonuses or other benefits determined by the Company.
- Article 13: The rules governing stock affairs of the Company shall comply with applicable laws and regulations and rules of the competent authority.



### **Chapter 3 Shareholders' Meeting**

- Article 14: Shareholders' meetings include ordinary meetings and extraordinary meetings. Ordinary meetings shall be convened and held by the Board of Directors once annually within six months after the end of each fiscal year according to the law. Extraordinary meetings will be held according to the law whenever necessary.
- Article 14-1: Shareholders' meetings shall be convened by written notice stating the date, place, and purpose dispatched to each shareholder at least 30 days in advance, in the case of ordinary meetings, and 15 days in advance, in the case of extraordinary meetings.
- Article 15: If the shareholders' meeting is convened by the board of directors, the chairman of the board shall preside over the meeting. If the chairman is unable to perform his/her duties due to leave of absence or for any other reason, proxy appointment shall follow Article 208 of the Company Act.
- Article 16: When a shareholder is unable to attend the shareholders' meeting for whatever the reason, the shareholder may present a proxy statement printed by the Company that states the scope of authorization, to entrust a proxy to attend the shareholders' meeting. The rules for shareholders' appointment of proxies for attendance shall follow the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" as announced by the competent authority, in addition to Article 177 of the Company Act.
- Article 17: Each shareholder of the Company is entitled to one vote for each share held; however, this provision does not apply to shares subjected to laws, regulations, or restrictions.
- Article 18: Unless otherwise required by the Company Act, shareholders' resolutions shall be adopted by at least a majority of the votes of shareholders present at a shareholders' meeting who hold a majority of all issued and outstanding shares of the Company. In accordance with Article 177-1 of the Company Act, if required by the competent authority, a shareholder of the Company may exercise voting rights by electronic means and, if so voting, shall be deemed to be present at the meeting in person; relevant matters shall be handled in accordance with applicable laws and regulations.
- Article 19: Shareholders' meeting resolutions shall be compiled into detailed minutes, and signed or sealed by the chair then disseminated to each shareholder no later than 20 days after the meeting.
- The dissemination of the meeting minutes mentioned in the preceding paragraph shall be conducted in accordance with the Company Act.
- The minutes shall detail the date and venue of the meeting, the chair's name, the method of resolution, and the proceeding and results of various meeting agenda items. These minutes shall be retained for as long as the company is in existence.
- The attendance log bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept for a minimum period of at least

one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the minutes of the shareholders' meeting involved shall be kept by the company until the legal proceedings of the foregoing lawsuit have been concluded.

#### **Chapter 4     Directors**

- Article 20: The Company shall have seven to eleven directors to be elected by the shareholders' meeting from candidates with legal capacity. Each director shall hold office for a term of three years, and may continue to serve if re-elected. The aforesaid Board of Directors must have at least three independent directors, making up no less than one fifth of the board.
- The candidates nomination system under Article 192-1 of the Company Act shall be adopted in director election. The implementation of relevant matters shall follow the Company Act, the Securities and Exchange Act, and applicable laws and regulations. The share ownership of all directors shall comply with the rules of the Securities and Futures Bureau of the Financial Supervisory Commission.
- Article 20-1: When electing directors, each share shall be empowered with voting rights equal to the number of elected directors. These voting rights may be concentrated on one candidate or separated across a number of candidates. Candidates with the highest number of votes shall be elected as directors.
- The election of independent directors and the election of non-independent directors shall be conducted at the same time, their votes counted separately, and each of them may be so elected.
- Article 20-2: Deleted.
- Article 21: The directors shall organize the Board of Directors by exercising their power and authority in accordance with law. A chairman and vice chairman of the board shall be elected by a majority vote at a meeting attended by over two-thirds of the directors. The chairman externally represents the company and, when necessary, may hire several consultants following the resolution of the Board of Directors.
- Article 22: Except for the first meeting of each term of the newly elected Board of Directors, which shall be convened by the director who received the largest number of votes at such election, meetings of the board shall be convened by the chairman, upon written notice sent to all other directors, at least seven days, specifying the date and place of the meeting and its agenda. However, a meeting of the board may be held at any time in case of urgent circumstances. Notifications of the Company's board meetings to each director may be in writing or via email or fax.
- The dismissal of a director must be approved by a special resolution of the shareholders' meeting.
- Article 23: Unless otherwise provided for in the Company Act and this Articles of Incorporation, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.
- Article 24: If a meeting is convened by the Company's Board of Directors, the chairman of the board shall preside over the meeting. If the chairman is unable to perform his/her

- duties due to leave of absence or for any other reason, proxy appointment shall follow Article 208 of the Company Act.
- Article 25: Each director shall attend the meeting of the board of directors in person. When a director is unable to attend a board meeting for whatever reason, the director may present a proxy statement that states the scope of authorization, to entrust another director as proxy to attend the meeting. However, each proxy may only represent one absent director.
- In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.
- Article 26: In compliance with Articles 14-4 of the Securities and Exchange Law, the Board of Directors of the Company shall establish an Audit Committee, which shall consist of all independent directors. The First Audit Committee was established on the day the independent directors were elected at the 2018 Shareholders' Meeting.
- The powers and authority and matters relevant to the Audit Committee and its members shall be exercised by the Audit Committee in accordance with the responsibilities of supervisors specified under the Company Act, the Securities and Exchange Act and other relevant regulations.
- Article 27: In the case that vacancies on the Board of Directors exceed one third of the total number of directors, then the Board of Directors shall convene a shareholders' meeting within sixty days to elect new directors to fill such vacancies. The new directors shall serve the remaining term of the predecessors.
- When an independent director is dismissed causing the number of independent directors to fall below the requirement specified in the Articles of Incorporation, a by-election for independent directors shall be held at the next shareholders' meeting.
- When an independent director is dismissed, the Board of Directors shall convene an extraordinary shareholders meeting within sixty days to elect a new independent director to fill such vacancy. The new independent director shall serve the remaining term of the predecessor.
- Article 28: The Board of Directors is authorized to determine the remuneration for all directors, taking into account the extent of participation in the Company's operations and value of the services provided for the management of the Company and the standards of the industry.
- The Company may authorize the Board of Directors to purchase liability insurance for all directors with respect to liabilities resulting from exercising their duties during their terms of occupancy

## **Chapter 5     Managers**

- Article 29: The Company shall have one president, whose appointment, dismissal and remuneration shall be handled in accordance with Article 29 of the Company Act.
- Article 30: The president shall handle all business activities of the Company as designated by the Board of Directors.

## **Chapter 6     Accounting**

- Article 31: After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted by following the statutory procedures to the

regular shareholders' meeting for acknowledgement.

- i. Business reports.
- ii. Financial statements.
- iii. Surplus distribution or loss make-up proposals.

Article 32: In the event the Company makes a profit during the fiscal year it shall set aside three to five percent of the profits for employee remuneration, which may be distributed as cash or shares, and the remuneration for directors shall be no higher than three percent. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses.

Article 32-1: The Board of Directors shall be authorized to determine the qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash.

If the Company reports a surplus at year end, the Company shall first pay taxes, offset accumulated losses, then set aside ten percent of the balance as the statutory surplus reserve, and set aside or reverse special surplus reserve per the provisions. After that, the balance plus the retained earnings accrued from prior years shall be reserved by the Board of Directors as distributable earnings, as needed for business purpose, and then resolved at the shareholders' meeting for distribution as dividends.

Article 33: The Company's dividend policy distributes dividends on the basis of the business environment as a whole and industrial growth characteristics and after taking into consideration undistributed earnings, capital surpluses, financial structures, and operational factors. The purpose is to achieve stable business development and safeguard the interests and rights of investors. Earnings may be distributed by way of cash dividend or stock dividend, provided however, cash dividend shall not be lower than ten percent of the total dividends.

## **Chapter 7     Appendix**

Article 34: In regard to all matters not provided for in these Articles of Incorporation, the Company Act and other applicable laws and regulations shall govern.

Article 35: The Articles of Incorporation were established on 1978/11/20.

The first amendment was made on 1979/3/26.

The second amendment was made on 1979/8/29.

The third amendment was made on 1981/10/2.

The fourth amendment was made on 1984/12/13.

The fifth amendment was made on 1989/3/3.

The sixth amendment was made on 1989/7/25.

The seventh amendment was made on 1991/8/23.

The eighth amendment was made on 1997/2/15.

The ninth amendment was made on 1998/6/5.

The tenth amendment was made on 1999/3/11.

The eleventh amendment was made on 1999/6/5.

The twelfth amendment was made on 1999/10/19.

The thirteenth amendment was made on 2000/5/12.

The fourteenth amendment was made on 2000/6/17.

The fifteenth amendment was made on 2001/5/31.

The sixteenth amendment was made on 2002/6/17.

The seventeenth amendment was made on 2003/6/17.

The eighteenth amendment was made on 2004/6/17.  
The nineteenth amendment was made on 2005/5/18.  
The twentieth amendment was made on 2006/5/30.  
The twenty-first amendment was made on 2007/6/15.  
The twenty-second amendment was made on 2008/6/13.  
The twenty-third amendment was made on 2009/5/21.  
The twenty-fourth amendment was made on 2010/6/18.  
The twenty-fifth amendment was made on 2011/6/10.  
The twenty-sixth amendment was made on 2012/5/25.  
The twenty-seventh amendment was made on 2013/6/21.  
The twenty-eighth amendment was made on 2015/5/15.  
The twenty-ninth amendment was made on 2016/5/27.  
The thirtieth amendment was made on 2017/5/26.  
The thirty-first amendment was made on 2018/5/24.  
The thirty-second amendment was made on 2019/5/24.

**L&K Engineering Co., Ltd.**

**Chairman: Chu-Shiang Yao**

### Appendix3

#### L&K Engineering Co., Ltd. Status of Holdings of Directors

- i. Authorized paid-in capital: NT\$3,500,000,000  
Paid-in capital: NT\$2,255,409,290  
(based on the actual number of outstanding shares of the Company as of 2023/04/28)
- ii. According to Article 26 of the Securities and Exchange Act, all directors shall hold a minimum of 12,000,000 shares.
- iii. As of the ex-dividend date (2023/04/28), shares retained by individual and all directors are as follows:

Title	Name	Shareholding	
		Shares	%
Chairman	Shen Shen Investment Co., Ltd. Representative: Chu-Shiang Yao	23,855,522	10.58%
Directors	White Young Investment Co., Ltd. Representative: Chih-Hsun Yao	13,755,701	6.10%
Directors	Xun Huei Investment Co., Ltd. Representative: Chung-Cheng Lo	11,224,763	4.98%
Directors	Wei Ze Investment Co., Ltd. Representative: Bor-Jen Chen	8,834,139	3.92%
Directors	Tze Hung Wang	1,859,869	0.82%
Independent Director	Chien-Jan Lee	—	—
Independent Director	Tung-Hao Ho	—	—
Independent Director	Cho-Lan Peng	—	—
Total		59,529,994	

Note: The Company has established an Audit Committee to replace supervisors in accordance with Article 14-4 of the Securities and Exchange Act.