

Stock Code: 6139



**2022**

# **Annual Report**

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v. Name of Any Exchanges Where the Company's Securities are Traded Offshore and Method by Which to Access Information on said Offshore Securities:None.

vi. Company website: [www.lkeng.com.tw](http://www.lkeng.com.tw)

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## **I. Letter to Shareholders**

### **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\$35.73 billion at NT\$4.43 earnings per share.

### **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.

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



iii. Implementation of the 2022 business plan

(I) 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%
Basic 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
Capital 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
	Basic 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	<ul style="list-style-type: none"><li>※ <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 real-life practice.</li><li>※ <b>The development and application of Engineering Light:</b> Completed engineering light software and application interface, and applied them in real-life practice.</li><li>※ <b>The development of 90°-bend water quantity measurement technology:</b> The experimentation of measuring stations and verification of construction sites have been completed. Subsequent promotions can be commenced.</li><li>※ <b>Application and development of the gas pollution release characteristics of the primary and middle filter:</b> Collected the Contaminated filters that were replaced at the project site, completed the air release test of the filter and data collection, and continued to collect later.</li></ul>

#### iv. 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.



## **II. Company Profile**

- i. Date of Establishment: December 7, 1978
- ii. Company History:

L&K Engineering was founded by Mr. Chu-Shiang Yao, the incumbent Chairman, in December, 1978. The initial capital was NT\$5 million. Due to limited capital, experiences, technology, and man power, the Company had to limit its initial business to medium and small sized HVAC and mechanical, electrical, and plumbing (MEP) projects. Realizing that professional and precision development is inevitable in the future, L&K began developing various types of cleanrooms (e.g., biochemical and industrial cleanrooms) in 1980. The Company increased its capital to NT\$15 million in October of 1981 and began undertaking M&E and cleanroom projects for medium and small military research labs and large GMP pharmaceutical companies. By 1985, L&K had completed whole-plant M&E, process, and cleanroom projects for pharmaceutical manufacturers.

The construction of semiconductor cleanrooms is a highly sophisticated management service involving high-tech integration and applied science. In the past, the local market for semiconductor cleanroom construction was completely monopolized by foreign contractors. Facing such unreasonable competition, L&K has since 1989 invested 10 years of robust efforts to reversing the market ecology. On the premise that human resources and costs are not limited, these efforts included establishing R&D, testing and production facilities; uniting professional management teams; fostering in-house elites; implementing training on the basics and practices of planning, designing, and supervised construction and providing overseas skills training opportunities for technicians; and integrating the industrial product systems of developed countries. In addition, L&K has achieved professional R&D and verification capabilities by purchasing a wide range of testing instruments and advanced equipment.

The year 1990 marked the beginning of L&K's involvement in the construction of semiconductor cleanrooms. Shortly after the implementation of GMP facility policies by the Taiwan government, L&K had also completed a few plant construction and relocation projects for internationally acclaimed pharmaceutical companies. With years of experience in HVAC, M&E, process, and cleanroom designs and construction contracts, our management team hopes to

establish future development directions and standard operating procedures for the company. While other local companies are still applying conventional HVAC and M&E construction techniques, L&K has developed whole-plant construction capabilities and taken the lead in the development of semiconductor cleanroom constructions, opening up a broader range of business opportunities for L&K Engineering.

After completing government-promoted GMP projects, L&K has spent more than 10 years preparing for organizational transformation in response to the varied industrial demands, which therefore enabled L&K to successfully secure contracts for Class 10, 100, and 1000 M&E, process, and cleanroom constructions for semiconductor companies in Hsinchu Science Park. Since then, L&K officially became a major construction developer of whole-plant M&E, process, and cleanroom projects for the semiconductor industry, and subsequently completed the planning, designing, and construction of M&E systems, process systems, and cleanrooms for internationally renowned semiconductor and optoelectronic companies. This achievement is the fruit of more than 10 years of L&K's labor and also a testament to the competency and capabilities of local manufacturers and foreign contractors. L&K's persistence and professionalism have changed the market environment that was previously monopolized by foreign contractors. Affected by the nurturing, testing, and recognition of electronic industries in Taiwan, this change is significant enough to prove the supportive relationships among local industries; it also provides another example of giving priority over to Taiwan and encourages L&K's management team to develop the company into a world-class construction company that fulfills the vision of corporate sustainable operation.

In 2009, the Company participated in the Privatization of the Construction Business of RSEA Construction Corp., entering a joint venture with RSEA to establish the RSEA Engineering Corporation (privatized 2009) In August 2010, L&K and RSEA secured a large-scale project, called the Construction of Chinatrust Commercial Bank New Headquarters Project - MEP & HVAC Subcontract. In 2011, together, L&K and RSEA secured a number of domestic public construction projects. Since then, L&K has completely stepped out of the confines of cleanroom, M&E, and HVAC markets, successively completing a wide range of turnkey projects in mainland China and Taiwan. The scope of these

projects included land construction, renovations, landscaping, old plant reconstruction, and application for construction and building permits, providing clients with a complete range of plant construction and engineering services. L&K is no longer a construction company specializing in only a single service, but an international construction company providing all-round services.

The development process of the Company can be divided into the following periods:

★ Initial Establishment: (1978-1986)

In this 8-year period, the Company cultivated the basic skills and techniques required to construct cleanrooms and traditional HVAC and M&E systems. Specifically, we undertook a variety of cleanroom projects for military research labs and pilot plants. L&K also collaborated with Bristol Myers Squibb an American pharmaceutical company to learn from the company's engineers the skills and knowledge required to build cleanrooms. L&K was one of the first Taiwanese contractors to become involved in cleanroom construction.

- 1978 - L&K Engineering was founded by Chu-Shiang Yao. Initially, the Company was focused on the management of mechanical, electrical, and plumbing (MEP) and HVAC operations.
- 1980 - Developed military-grade laboratory cleanroom systems, laying the foundation for cleanroom construction in Taiwan.
  - Secured the first cleanroom project: The Laboratory Cleanroom Project of Chung-Shan Institute of Science and Technology.
- 1984 - Obtained the first hospital HVAC project from Saint Paul Hospital.
- 1985 - Secured the first pharmaceutical plant MEP, process and cleanroom project which was commissioned by Bristol- Myers Squibb, marking our first step into the area of biochemical pharmaceutical manufacturing following governmental promotion of GMP facilities.

★ Period of Transformation: (1987-1990)

L&K began integrating whole-plant M&E systems to probe further into the cleanroom industry and associated projects. During this period, L&K worked jointly with British engineers from Glaxo-Wellcome Corporation to devise detailed plans, produce designs, and meet strict construction quality requirements. Thanks to their assistance, we were able to complete the integration of projects relevant to M&E, process, and cleanroom system architectures, develop the ability to procure special materials/equipment from international suppliers, and simultaneously establish complete testing standards and verification regulations for whole-plant construction. This achievement has turned us into an international construction company that is fully capable of undertaking whole-plant construction projects. In 1989, L&K acquired land and factory in the Hsinchu Industrial Park, which will serve as the base for cleanroom construction

projects in Hsinchu Science Park and for the production of cleanroom construction products.

- 1987
  - Obtained GMP-based pharmaceutical facility MEP, process, and cleanroom project from Glaxo-Wellcome. Through this project, we gained international engineering experiences in designing, procurement, construction, validation, and inspection.
- 1989
  - Obtained the right to distribute the HVAC units of EUROCLIMA, Austria, marking our first step into the design and assembly business.
  - Purchased a factory in Hsinchu Industrial Park to include manufacturing in the scope of our engineering service, and changed the name of the company to "L&K Engineering Co., Ltd."
  - United professional management teams, fostered in-house elites, implemented training on the basics and practices of planning, designing, and supervised construction, and provided overseas skills training opportunities for technicians.
  - Achieved professional R&D and verification capabilities by purchasing a wide range of testing instruments and advanced equipment.
  - Commissioned by WiMade Tech in Hsinchu Science Park to undertake a whole-plant M&E and cleanroom project, which expanded the scope of the company's business to include construction works for both the biochemical pharmaceutical industry and the semiconductor industry.

★ Research and Growth Period: (1991-1994)

During this period, L&K was committed to the construction of cleanrooms. The Company has obtained in-depth understanding of system and process requirements, acquired professional knowledge on cleanrooms, gained access to information on domestic and international equipment/materials, and established complete search networks under the support of the industry and environment. Meanwhile, we have adequately honed our abilities to secure large cleanroom projects and simultaneously developed the production and product development markets, all thanks to the assistance of internationally acclaimed engineering consultants, the technical support of our business partners and suppliers in Japan, and the Company's extensive experience in cleanroom design and construction.

- 1991
  - Obtained a STN-LCD fab M&E and cleanroom project from Picvue Electronics, Ltd.
  - Obtained a TFT-LCD fab M&E and cleanroom project from Unipac Optoelectronics Corporation.
- 1993
  - Conducted research and development of cleanroom materials and production to replace imported products and strengthen our international competitiveness.
  - Obtained a GMP pharmaceutical plant M&E and cleanroom project from Cyanamid Taiwan Corporation, which marked our first time to be involved in the construction of pharmaceutical fermentation plant.

- 1994 - Began the research and development of cleanroom key products and completed the development and production of first-generation ceiling system products.

★ Thriving Period: (1995-2008)

In this period, the Company was actively involved in the planning, designing, and construction of 8' and 12' IC wafer fab and TFT-LCD projects, achieved breakthroughs in major key technologies, and secured large construction projects. To complete construction works on time while quality and engineering requirements are met, the Company has completed the active development, production, and application of components for key systems.

- 1996 - Completed the development and production of first-generation partitions.
- Obtained a Fab C Cleanroom Project from Lianchia Integrated Circuit Corp.
- Obtained the first 8-inch IC wafer fab cleanroom project: The Fab III Module A Initial Wafer Fab Cleanroom Project, from United Microelectronics Corp.
- 1997 - Established a cleanroom test and verification department.
- Cooperated with Japanese supplier, SINKO, in FFU DC motor development.
- 1998 - Passed ISO-9002 International Quality System Certification, and announced initial public offering.
- 1999 - Purchased a factory in Tainan to produce cleanroom ceiling systems and partitions.
- Introduced a design standardization system.
- Developed flexible sprinkler fittings for cleanroom ceiling systems and obtained FM certification in accordance with NFPA specification.
- Cooperated with the National Sun Yat-sen University to complete the design and analysis of cleanroom fire control system for UMC Fab 5.
- Cooperated with the National Taipei University of Technology to complete the simulation and analysis of air flow field in cleanrooms
- Used electronic harmonic interference prevention technologies.
- Obtained a cleanroom construction project from Chi Mei Optoelectronics Corporation as our first step into the construction of main production areas for TFT-LCD optoelectronic plants.
- 2000 - Obtained international certifications, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and OHASAS18001 Occupational Safety and Health Management System.
- Cooperated with National Chiao Tung University to complete inorganic gas sampling analysis.
- Cooperated with the National Sun Yat-sen University to complete the design and analysis of cleanroom fire control system for UMC Fab 10A and Unipac Optoelectronics Corp.

- Completed the development and production of cleanroom light fixtures.
- Obtained the first 12-inch IC wafer fab cleanroom project: FAB 12A 12'IC Cleanroom Construction, from United Microelectronics Corp.
- 2001 - Established the Singapore branch and the Shanghai representative office to expand the overseas markets.
- Received the 10th National Award of Outstanding SMEs.
- Commissioned by United Microelectronics Corp. to implement a FAB 12A 12'IC Cleanroom Construction project.
- Obtained two optoelectronic fab cleanroom system projects: Fab II CF and Fab II TFT Cleanrooms for Chi Mei Optoelectronics.
- 2002 - Listed on the Taipei Exchange (TPEX).
- Established L&K Engineering (SUZHOU) Co., Ltd. to expand the overseas markets and this subsidiary was restructured in 2008.
- L&K Engineering (SUZHOU) Co., Ltd. obtained "Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China" and "Business Licenses for Enterprises as Legal Persons".
- Cooperated with the National Chiao Tung University to complete ion chromatography.
- Cooperated with Taipei Tech to complete the study of FFU diffusion network design and analysis.
- Cooperated with Nippon Muki Co., Ltd. to complete the measurement and analysis of material deaeration properties.
- Commissioned by HeJian Technology (Suzhou) Co., Ltd. to construct 8-inch IC semiconductor plant process piping and cleanroom, which was the first project that took place in mainland China.
- Obtained Fab L1 4.5G TFT-LCD cleanroom project from Chunghwa Picture Tubes, Ltd.
- Commissioned by National Nano Device Laboratories to undertake new construction projects in Southern Taiwan.
- 2003 - Established headquarters in Taiwan.
- Listed on Taiwan Stock Exchange (TWSE).
- Won the 4th Industrial Sustainable Excellence Award.
- Signed a 5-year contract with the Environmental, Safety, and Health Technological Development Center of Industrial Technology Research Institute to cooperate in the transfer of smoke control, fire prevention, ventilation system, and BSL3/4 biotechnologies and other consulting services.
- Commissioned by Tainan Armed Forces General Hospital to construct negative pressure rooms or isolation wards.
- Obtained Fab L2 G6 TFT-LCD cleanroom project from Chunghwa Picture Tubes, Ltd.
- 2004 - Established Shanghai Branch and Foochow Branch of L&K Engineering (SUZHOU) Co., Ltd.

- Obtained Fab Y1 CF 4.5G cleanroom project from Chunghwa Picture Tubes Ltd.
- Obtained 12-inch IC FAB III cleanroom project from ProMos Technologies.
- 2005 - Obtained Fab Y2 CF G6 cleanroom project from Chunghwa Picture Tubes Ltd.
- Obtained Vaccine R&D Center Construction Project from the National Health Research Institutes.
- 2006 - Commissioned by the United Microelectronics Corp. to undertake the Fab 12i Module B Cleanroom Project.
- 2007 - Established Xiamen Branch of L&K Engineering (SUZHOU) Co., Ltd.
- Deregistered Foochow Branch of L&K Engineering (SUZHOU) Co., Ltd.
- Established L&K Engineering (Chongqing) Co., Ltd. to expand the overseas markets (this subsidiary was renamed “RSEA Construction Engineering (Chongqing) Co., Ltd. in 2012).
- Obtained an 8-inch wafer whole-plant turnkey project from ProQ Technologies (Chongqing) Incorporated.
- Obtained a cleanroom project from NexPower Technology Corp., our first step into the solar energy industry.
- 2008 - Established L&K Engineering (Vietnam) Co., Ltd. in Ho Chi Minh City.

★ Period of Strategic Integration: (2009 to present)

In 2008 and 2009, the financial crisis had forced almost all of the high-tech construction projects to be suspended, while a few of the industry-leading companies had to cut their construction budgets. Various constructions companied struggled with choosing between profit and operating revenue, resulting in a vicious price-cut competition in the market. During this period, L&K and RSEA Construction engaged in a joint venture, establishing the RSEA Engineering Corporation privatized 2009 Regarding professional skills, both companies vertically integrated their civil engineering and M&E capabilities, leading to the birth of a turnkey contractor that specializes in urban development and the construction of high-tech production plants, biochemical manufacturing plants, and commercial buildings. A year after their joint venture, L&K and RSEA successfully secured a large construction project. At this point, the L&K Group has acquired the expertise needed to reach more industries in the market.

- 2009 - Established subsidiary RSEA Engineering Corporation privatized 2009
- Obtained TOSHMS: Taiwan Occupational Safety and Health Management System certification. (CNS 15506)
- Commissioned by Orient Pharma Co., Ltd. to undertake a turnkey project involving the construction of Yulin plant in Central Taiwan Science Park (which received PIC/SGMP certification in July 2011 and U.S. FDA Certification in April 2013).

- 2010
  - Established Jining Branch of L&K Engineering (SUZHOU) Co., Ltd.
  - Established Chengdu Branch of L&K Engineering (SUZHOU) Co., Ltd.
  - Established Shenzhen Branch of L&K Engineering (SUZHOU) Co., Ltd.
  - Obtained HVAC Works Package-Crescent Mall Project from Phu My Hung Joint Venture Company in Vietnam.
  - Secured the Construction of Chinatrust Commercial Bank New Headquarters Project - MEP & HVAC Subcontract.
- 2011
  - Established Hanzhou Branch of L&K Engineering (SUZHOU) Co., Ltd.
  - Worked jointly with RSEA Engineering Corporation privatized 2009 to undertake the ACL212 Kaohsiung Railway Underground (Cut and Cover Construction) Project, which was commissioned by Railway Reconstruction Bureau, Ministry of Transportation and Communications.
- 2012
  - Renamed L&K Engineering (Chongqing) Co., Ltd. to RSEA Construction Engineering (Chongqing) Co., Ltd.
  - Established Chengdu First Branch of L&K Engineering (SUZHOU) Co., Ltd.
  - Commissioned by Pharmaessentia to construct a GMP pharmaceutical pilot plants (which was certified by the PIC/S of European Union in April 2013).
  - Obtained Luzhu PIC/S Fab for Ophthalmic Preparations Turnkey Project from Synpac-Kingdom Pharmaceutical Co., Ltd.
  - Obtained a special equipment project from the National Kaohsiung Center for the Arts.
  - Commissioned by National Yang Ming Chiao Tung University Hospital to undertake the Construction, Renovation, and MEP Turnkey Project.
- 2013
  - Established Chongqing Branch of L&K Engineering (SUZHOU) Co., Ltd.
  - Worked jointly with RSEA Engineering to undertake the National Biotechnology Research Park (Turnkey) Project, which was commissioned by Academia Sinica.
  - Obtained the tsmc Fab 14 P7 MEP Package Project from Taiwan Semiconductor Manufacturing Co., Ltd.
- 2014
  - Received the ISO9000 17 Years Merit Award (2017) and ISO14001 15 Years Merit Award (2015).
  - Obtained Taipei Performing Arts Center Theater Equipment Phase One (TP4) Project from East District Project Office, Department of Rapid Transit Systems, Taipei City Government.
- 2015
  - Obtained “Badge of Accredited Healthy Workplace” from the Health Promotion Administration, Ministry of Health and Welfare in 2015 to 2017.
  - Commissioned by United BioPharma, Inc. to construct protein raw materials plant.



- Obtained L6 Cleanroom Systems Turnkey Project from Innolux Corporation.
- 2016 - Received an award from Innolux Corporation for our contribution to the repair of damaged properties during the 2016 southern Taiwan earthquake.
- Received a certificate of appreciation for donating scholarship to the Department of Mechanical and Computer-Aided Engineering of St. John's University.
- Announced the initial public offering of L&K Engineering (SUZHOU) Co., Ltd. on Shanghai Stock Exchange as A shares. Stock Code: 603929
- Deregistered Hanzhou Branch of L&K Engineering (SUZHOU) Co., Ltd.
- Obtained G8.6 CF Cleanroom Project from Innolux Corporation.
- Commissioned by Nanya Technology Corp. to expand the FAB-3A-N cleanroom.
- Obtained the Taipei Dome Complex Large Indoor Stadium Development Project - MEP Construction.
- 2017 - Launched industry-academia cooperation with Cheng Shiu University and St. John's University.
- Established Wuhan Branch of L&K Engineering (SUZHOU) Co., Ltd.
- Worked jointly with RSEA Engineering Corporation privatized 2009 to undertake the ACL212-1 Kaohsiung Station Canopy (Roof Truss) Project, which was commissioned by Railway Reconstruction Bureau, Ministry of Transportation and Communications.
- 2018 - Obtained “Badge of Accredited Healthy Workplace” from the Health Promotion Administration, Ministry of Health and Welfare in 2018 to 2020.
- Obtained the tsmc Fab 15 P7 MEP Package Project from Taiwan Semiconductor Manufacturing Co., Ltd.
- Obtained the tsmc Fab 18 P1/P2/P3 Outer Piping and Underground Piping Construction Project from Taiwan Semiconductor Manufacturing Co., Ltd.
- Commissioned by Nanya Technology Corp. to expand the AB 3A-N 9 Phases cleanroom.
- 2019 - Commissioned by Macronix International Co., Ltd. to undertake the MEP expansion of F5 plant systems.
- Secured the LY3 Plant Construction Project of Taiwan Apple, LLC, Taiwan Branch (U.S.A.)
- Obtained the Kaohsiung Plant General MEP Construction Project from Winbond Electronics Corporation.
- Obtained the FAB5 BAY29&30 Cleanroom Construction Project from Macronix International Co., Ltd.

- 2020
- Received the Certificate of Excellence in the Work Safety and Management of Kaohsiung Plant Construction from Winbond Electronics Corporation.
  - Received Cathay General Hospital's Certificate of Appreciation for donating antipandemic supplies.
  - Received Common Health Magazine's "2020 CHR Healthy Corporate Citizen" Promising Corporate Award.
  - Secured the MEP, Fire Prevention, and HVAC Subcontractor Project Of Taipei City Nangang District Jingmao Section Land Serial No.15 Superficies, which was commissioned by Taiwan Life Insurance Co., Ltd.
  - Obtained the Macronix Bay29&30 Plant System MEP Expansion Construction (Phase 1) and Exhaust Stack Installation Project.
  - Obtained the tsmc F18P4/P5/P6 Underground Piping Systems Project from Taiwan Semiconductor Manufacturing Co., Ltd.
  - Obtained the tsmc RD FAB Outer Piping Construction Project from Taiwan Semiconductor Manufacturing Co., Ltd.
- 2021
- Received Macronix's "109 Outstanding Vendor" Award.
  - Received the Certificate of Excellence in the Work Safety and Management of Kaohsiung Plant Construction from Winbond Electronics Corporation.
  - Received UMC's 40th-Anniversary Card of Appreciation and Award.
  - Deregistered Jining Branch of L&K Engineering (SUZHOU) Co., Ltd.
  - Received the "2020 Excellent Occupational Safety and Health Contractors Award - the Excellence Award" from the Railway Bureau, Ministry of Transportation and Communications for the ACL212-1 Kaohsiung Station Project jointly commissioned by RSEA and L&K Engineering.
  - Received Taiwan Adventist Hospital's Certificate of Appreciation for donating antipandemic supplies.
  - Received Taipei City Government's Certificate of Appreciation for fighting against pandemic.
  - Received Taipei City Hospital's Letter of Appreciation for donating antipandemic supplies.
  - Received Tunghan University's Certificate of Appreciation for the career program "Commercial and Industrial Refrigerating Air-conditioning Engineering."
  - Received Common Health Magazine's "2021 CHR Healthy Corporate Citizen" Promising Corporate Award.
  - Launched industry-academia cooperation with Tunghan University and National Chin-Yi University of Technology.
  - Obtained the ISO 45001 Occupational Safety and Health Management System Certification of OHSAS 18001 Occupational Safety and Health Management System Transition.

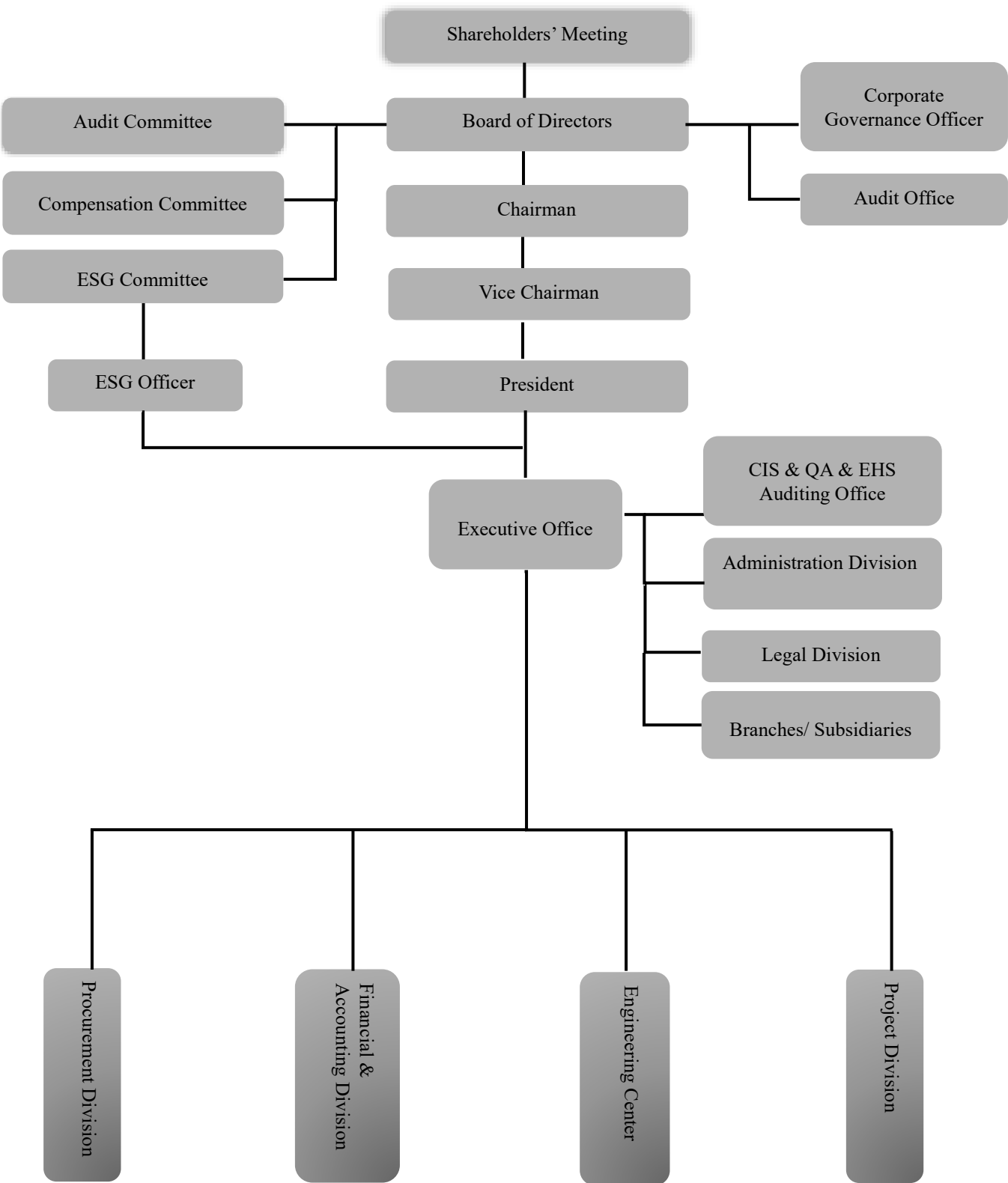
2022

- Obtained TOSHMS Taiwan Occupational Safety and Health Management System Transition Certification (CNS 45001).
- Received the Certificate of “Actively Assist in Capacity Expansion with Outstanding Performance” from Taiwan Semiconductor Manufacturing Co., Ltd.
- Obtained the P5 HPCW Expansion Project from United Microelectronics Corp.
- Obtained the Shulin Plant - Clean Room & HVAC System from Nan Ya Printed Circuit Board Corporation
- Obtained the F18P7 Underground Piping Systems Project of Taiwan Semiconductor Manufacturing Company, Ltd.
- Obtained the F14P8 Underground Piping Systems Project of Taiwan Semiconductor Manufacturing Company, Ltd.
- Obtained the UMC FAB 12A P6 Clean Room and MEP Turnkey Project from United Microelectronics Corp.
- Obtained the P5 Clean Room Construction Project Phase I (20K/25K) Project from Powerchip Semiconductor Manufacturing Corporation.
- Received Quarter 4 EHS Appraisal Certificate from Taiwan Semiconductor Manufacturing Co., Ltd. for the F12P8 plant.
- Received Taiwan Electrical Contractors Association’s 40-years “Senior Member Honor” medal.
- Received the Medal of Appreciation, “Nurture Young Talent, Benefit the Public” from Tungnan University’s Department of Energy and Refrigerating Air-conditioning Engineering.
- Received the Trophy and Pennant of “2022 16th Outstanding Project, Gold Safety Award (the Honorable Mention Award)” from the Ministry of Labour (Kaohsiung Station Canopy (Roof Truss) Project).
- Received the Certificate of Appreciation for sponsoring the “2022 Plant and Cleanroom Technology and Academic Seminar” from the Center for Cleaning Technology Research, National Taipei University of Technology.
- Received the Trophy and Certification of “2022 Taiwan Architecture Honorable Mention Award” from Taiwan National Architecture Association (Taipei Performing Arts Center).
- Launched industry-academia cooperation with Chang Jung Christian University, Southern Taiwan University of Science and Technology, Chien Hsin University of Science and Technology, Kun Shan University and Lunghwa University of Science and Technology.
- Obtained the 1D Clean Room Expansion Design Project from Photronics DNP Semiconductor Mask Corp.
- Commissioned by the Singapore Branch of United Microelectronics Corp. to undertake the FAB 12i P3/P4 EPC Project.
- Commissioned by Taiwan Apple, LLC, Taiwan Branch (U.S.A.) to undertake the LY3 L30/L40 clean room phase 1 expansion project.

- Commissioned by United Microelectronics Corp. to implement the 8F Cleanroom Expansion and Utility Construction project.
- Obtained the F22P1 Underground piping package of Taiwan Semiconductor Manufacturing Company, Ltd.

III. Corporate Governance

- i. Organization
  - (I) Organization Chart



## (II) Tasks of Key Departments

Department	Tasks
Audit Office	The Audit Office formulates work plans according to the company's business goals and risk assessment results and determines the priority order of audit operations. Audit tasks include assurance services and consulting services. Auditors must comply with laws and regulations of related industries, have an impartial and unbiased attitude, engage in continuing professional development, and exercise due professional care when providing objective and relevant assurances. They must disclose the nonconformance and the impact to senior management and the board, and continue to supervise and identify the efficiency and effectiveness of improvements.
Corporate Governance Officer	Corporate Governance Manager handles matters relating to Board of Directors, Audit Committee, Remuneration Committee, and Shareholders' Meeting in compliance with law; assists with onboarding and continuing education of the directors; provides information required for performance of duties by the directors; and assists with the directors' compliance of law.
Legal Division	The Legal Office is responsible for the handling, management, and maintenance of affairs related to company contracts, laws, litigations, patents, trademarks, and insurance.
Executive Office	The Department is responsible for setting organizational goals, promoting innovative thinking, and improving professionalism.
Administration Division	<p>The Division is composed of the following two units:</p> <p>Management Section: This Section is responsible for planning, management, company administration, general affairs, documentation, and human resource management.</p> <p>Administration Section: This Section is responsible for administrative matters pertaining to offices and construction sites, provision of administrative operational resources for all divisions and offices, and undertaking of tasks relevant to the administration, documentation, and property management of construction projects.</p>
Financial & Accounting Division	This Division is responsible for planning, management, finance, accounting, and tax-related matters. Efficient financial management is achieved through the aforementioned task planning and execution, and real-time management information is provided as the basis for making business decisions.
Procurement Division	This Division is responsible for procurement of equipment and materials, work contracting, importing/exporting, and Inventories, net system management.

Department	Tasks
CIS & QA & EHS Auditing Office	<p>Quality Sefaty: Develops, implements and constantly improves policies and measures to manage the overall quality, implements occupational safety and health policies and goals, plans the operation and management of ESH, complies with laws and regulations to ensure the operational safety, and supervises and inspects the quality management and ESH operations of relevant units.</p> <p>IT Development: This Section is responsible for planning, development and maintenance of the company's entire IT system; Information security management, IT equipment purchasing, upgrading, and evaluation, network building and management, and provision of technical support related to networks and computers.</p>
Engineering Center	<p>The Center is composed of the following three units:</p> <p>Design Department: The Department provides quotation, project-related plans/designs/support, and information and consultation on designs and techniques.</p> <p>Quotation Department: The department estimates tender price quotes and costs (including changes to operations), checks and confirms cost details of contracted works, and checks and confirms estimated cost of work completion.</p> <p>Construction Service Department: Coordinates in the construction and fixation of projects, product R&amp;D, production, material sales, construction equipment management, and management and scheduling of construction workers.</p>
Project Division	<p>This Division is responsible for the integration and adjustment of project resources; supervision of project management tasks and construction works; supervision of quotation and project implementation, governing of project implementation programs, and solutions to project problems; and construction, and promotion of the innovation and implementation of construction methods.</p>

ii. Information on Directors, President, Executive Vice President, Deputy Assistant General Managers, and Supervisors of all the Company's Divisions and Branch Units:

(I) Information Regarding Board Members

28 April, 2023

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at the Company and Other Companies	Managers, Directors, or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Shen Shen Investment Co., Ltd.	Male 65-70	2021/08/09	3 years	2000/07/19	23,855,522	10.57%	23,855,522	10.57%	—	—	—	—	—	None	Director	Tze-Hung Wang	Two Degrees of Kinship	—
		Representative: Chu-Shiang Yao					6,358,013	2.82%	6,358,013	2.82%	3,206,778	1.42%	—	—	Department of Mechanics, Hsinpu Institute of Technology Founder of L&K Engineering	Chairman of the Company Chairman, RSEA Engineering Corporation privatized 2009 Chairman, L&K Engineering (SUZHOU) Co., Ltd Director, Unique Grand Limited Chairman, L&K (BVI) Engineering Co., Ltd. Chairman, L&K Engineering Company Limited Person in charge of Suzhou Yali consulting and managent Co. Ltd.	Director	Chih-Hsun Yao	One Degree of Kinship	—



Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at the Company and Other Companies	Managers, Directors, or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Representative: Chu-Shiang Yao	Male 65-70	2021/08/09	3 years	2000/07/19	6,358,013	2.82%	6,358,013	2.82%	3,206,778	1.42%	—	—	Department of Mechanics, Hsinpu Institute of Technology  Founder of L&K Engineering	Chairman, Suzhou Xiang Sheng Trade Company Ltd.  Chairman of St. John's University	Director	Chih-Hsun Yao	One Degree of Kinship	—
Vice Chairman	Republic of China	Wei Ze Investment Co., Ltd.	Male 70-75	2021/08/09	3 years	2020/05/28	8,834,139	3.92%	8,834,139	3.92%	—	—	—	—	—	None	—	—	—	—
		Representative: Bor-Jen Chen					—	—	—	—	—	—	—	—	President, Vice Chairman, Director, L&K Engineering (SUZHOU) Co., Ltd.  Chairman, L&K Engineering (Chongqing) Co., Ltd.  Chairman, Suzhou Yali Management and Consulting Co., Ltd.	Vice Chairman, of the Company  Director, L&K Engineering (SUZHOU) Co., Ltd.	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at the Company and Other Companies	Managers, Directors, or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	White Young Investment Co., Ltd.	Male 35-40	2021/08/09	3 years	2015/5/15	13,755,701	6.09%	13,755,701	6.09%	—	—	—	—	Department of Energy and Refrigerating Air-conditioning Engineering, National Taipei University of Technology	Director, RSEA Engineering Corporation privatized 2009 Director, Shen Huei Investment Co., Ltd	Chairman	Chu-Shiang Yao	One Degree of Kinship	—
		Representative: Chih-Hsun Yao					902,840	0.4%	902,840	0.4%	23,000	0.01%	—	—		Director, Unique Grand Limited Person in charge of Yunze Investment Co., Ltd. Director, Shen Shen Investment Co., Ltd.				—
Director	Republic of China	Xun Huei Investment Co., Ltd.	Male 55-60	2021/08/09	3 years	2005/05/18	11,224,763	4.98%	11,224,763	4.98%	—	—	—	—	Department of Electrical Engineering, Hsinpu Institute of Technology  Law Department, Fu Jen Catholic University	None	—	—	—	—
		Representative: Chung-Cheng Lo					—	—	—	—										
															Chief, New Construction Office, Public Works Department, Taipei City Government					

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at the Company and Other Companies	Managers, Directors, or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	Representative: Chung-Cheng Lo	Male 55-60	2021/08/09	3 years	2005/05/18	—	—	—	—	—	—	—	—	Secretary, Maintenance Office, Public Works Department, Taipei City Government  Officer, Secretary, Public Construction Commission of Executive Yuan  Division Chief and Senior Executive Officer, Coast Guard Administration, Executive Yuan  Person in Charge of Chung & Yi Law Firm	None	—	—	—	—
Director	Republic of China	Tze-Hung Wang	Male 75-80	2021/08/09	3 years	2018/05/24	1,859,869	0.82%	1,859,869	0.82%	2,077,874	0.92%	—	—	Department of Public Relations, Shih Hsin University  Vice President, TransAsia Airways	None	Chairman	Chu-Shiang Yao	Two Degrees of Kinship	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at the Company and Other Companies	Managers, Directors, or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Chien-Jan Lee	Male 55-60	2021/08/09	3 years	2018/05/24	—	—	—	—	—	—	—	—	Master, Accounting, National Chengchi University PhD, Accounting, National Chengchi University Professor, Department of Accountancy, National Taipei University Director, Department of Accountancy, National Taipei University Chairman, Accounting Education Foundation Member, Auditing Standards Committee Member, Listing Review Committee	Independent Director, Voltronic Power Technology Corp. Independent Director, Copartner Tech Corp.	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at the Company and Other Companies	Managers, Directors, or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Chien-Jan Lee	Male 55-60	2021/08/09	3 years	2018/05/24	—	—	—	—	—	—	—	—	Director, The Audit Bureau of Certification  Editor, Journal of Contemporary Accounting  Editor, Soochow Journal of Accounting	Independent Director, Voltronic Power Technology Corp. Independent Director, Copartner Tech Corp.	—	—	—	—
Independent Director	Republic of China	Tung-Hao Ho	Male 65-70	2021/08/09	3 years	2018/05/24	—	—	—	—	—	—	—	—	Bachelor of Laws, College of Law, National Chengchi University  Master of Laws, College of Law, National Chengchi University  Doctor of Laws, College of Law, National Chengchi University	President & Director, Twm Mcommerce & Technology Co., Ltd.  Vice president of St. John's University	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at the Company and Other Companies	Managers, Directors, or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Tung-Hao Ho	Male 65-70	2021/08/09	3 years	2018/05/24	—	—	—	—	—	—	—	—	Aletheia University/ Nanhua University  Taipei Medical University  Taipei City University of Science and Technology  National Taipei University of Nursing and Health Sciences  Associate Professor, China University of Technology  3rd and 4th Member, NICI Private Advisory Committee, Executive Yuan (2006-2010)  Director, Legislator's Research Office (1999-2005, 2012-2018/2)	Chairman, Twn Mcommerce & Technology Co., Ltd.	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at the Company and Other Companies	Managers, Directors, or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Cho-Lan Peng	Female 70-75	2021/08/09	3 years	2018/05/24	—	—	—	—	—	—	—	—	U.of Missouri, Columbia, Bachelor Baruch College, The City University of New York, EMSF  Vice President, ProMOS Technologies  President, Yude Technology (Chongqing) Ltd. Company  Vice President, Potens Semiconductor Corp.  U.of Missouri, Columbia, Bachelor Baruch College, The City University of New York, EMSF	Deputy General Manager of Finance and Administration, Potens Semiconductor Corp.	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at the Company and Other Companies	Managers, Directors, or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Cho-Lan Peng	Female 70-75	2021/08/09	3 years	2018/05/24	—	—	—	—	—	—	—	—	Vice President, ProMOS Technologies President, Yude Technology (Chongqing) Ltd. Company Vice President, Potens Semiconductor Corp.	Deputy General Manager of Finance and Administration, Potens Semiconductor Corp.	—	—	—	—

If the Company's Chairman and general manager or those of equal powers (top management) are the same person, the spouse, or a relative within the first degree kinship, the reason, rationality, necessity, responsive measures :None

#### 1. Major Institutional Shareholders

Name of Major Shareholder	Major Institutional Shareholders
Shen Shen Investment Co., Ltd.	Chu-Shiang Yao (Shareholding: 41.35%), Yu-Hua Chao (Shareholding: 43.15%)
Xun Huei Investment Co., Ltd.	Chu-Shiang Yao (Shareholding: 42.43%), Yu-Hua Chao (Shareholding: 40.49%)
White Young Investment Co.,Ltd.	Chu-Shiang Yao (Shareholding: 41.11%), Yu-Hua Chao (Shareholding: 42.61%)
Wei Ze Investment Co., Ltd.	Chu-Shiang Yao (Shareholding: 42.55%), Yu-Hua Chao (Shareholding: 40.67%)



(i) Disclosure of information on the professional qualifications of directors and independence of independent directors:

Criteria Name	Professional Qualifications and Experience	Independence Status (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chu-Shiang Yao (Director)	Has more than five years of work experience in a profession necessary for the business of the Company, and is currently Chairman of L&K Engineering Co., Ltd.; the Chairman of the Company has not been a person of any conditions defined in Article 30 of the Company Act.	N/A	None
Bor-Jen Chen (Director)	Has more than five years of work experience in a profession necessary for the business of the Company, is currently the Vice Chairman of L&K Engineering Co., Ltd.; the Vice Chairman of the Company has not been a person of any conditions defined in Article 30 of the Company Act.	N/A	None
Tze Hung Wang (Director)	Has more than five years of work experience in a profession necessary for the business of the Company, was the former Vice President of TransAsia Airways, is currently a director of the Company, and has not been a person of any conditions defined in Article 30 of the Company Act.	N/A	None
Chih-Hsun Yao (Director)	Has more than five years of work experience in a profession necessary for the business of the Company, and is currently the Deputy Manager of the Project Division of L&K Engineering Co., Ltd.; the director of the Company has not been a person of any conditions defined in Article 30 of the Company Act.	N/A	None
Chung- Cheng Lo (Director)	Has more than five years of work experience in a profession necessary for the business of the Company, is the Person in Charge of Chung & Yi Law Firm, is currently a director of the Company, and has not been a person of any conditions defined in Article 30 of the Company Act.	N/A	None
Chien-Jan Lee (Independent Director)	Has more than five years of work experience in a profession necessary for the business of the Company, is currently the Professor of the Department of Accountancy at National Taipei University, and has not been a person of any conditions defined in Article 30 of the Company Act.	(1) Not employed by the Company or any of its affiliated companies. (2) Not a director or supervisor of the Company or any of its affiliates. (3) Not a natural-person shareholder	2
Tung-Hao Ho (Independent Director)	Has more than five years of work experience in a profession necessary for the business of the Company, is currently the Chairman of TWN Mcommerce & Technology Co., Ltd., and has not been a person of any conditions defined in Article 30 of the Company Act.	who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.	None

Criteria Name	Professional Qualifications and Experience	Independence Status (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Cho-Lan Peng (Independent Director)	Has more than five years of work experience in a profession necessary for the business of the Company, is currently the Vice President of Potens Semiconductor Corp., and has not been a person of any conditions defined in Article 30 of the Company Act.	<p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.</p> <p>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or of a corporate shareholder that ranks among the top five in shareholdings or of a corporate shareholder that appoints a representative, as provided in Paragraphs 1 or 2, Article 27 of the Company Act, to act as a director or supervisor of the company.</p> <p>(6) Not a director, supervisor, or employee of other companies controlled by the same person with more than half of the company's director seat or voting shares.</p> <p>(7) Not a director, supervisor, or employee of another company or institution of the same person or spouse who is the company's chairman, president, or persons with equivalent position.</p> <p>(8) Not a director, supervisor, manager or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.</p>	None

Criteria Name	Professional Qualifications and Experience	Independence Status (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Cho-Lan Peng (Independent Director)	Has more than five years of work experience in a profession necessary for the business of the Company, is currently the Vice President of Potens Semiconductor Corp., and has not been a person of any conditions defined in Article 30 of the Company Act.	(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting or related services to the Company or to any of its affiliate, or a spouse thereof, and the service provided is an audit service or a service with compensation. (10) Not a spouse or relative of second degree or closer to any other directors. (11) Not elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.	None

Note 1: Professional Qualifications and Experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates?; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)?; specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

(ii) Diversity and Independence of the Board of Directors:

To comply with our diversity policy, strengthen corporate governance, and promote the sound development of board composition and structure the Company's directors are nominated using the candidate nomination system pursuant to regulations prescribed in the Articles of Incorporation. The system evaluates the education, experience professional background, integrity, or other relevant professional qualifications of each candidate. Following the resolution and approval of the Board of Directors, the list of candidates is presented at the shareholders' meeting for election. Regarding board composition, it is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated. The policy shall include but not limited to the following:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: Ability to make operational judgments; ability to conduct accounting and financial analysis; ability to conduct management administration; ability to conduct crisis management; knowledge of the industry; an international market perspective; ability to lead; and ability to make decisions.

The Company's Board of Directors of the current term consists of eight directors; the specific objectives with regard to the Company's board diversity policy, and the status of its achievement are described below:

Diversity Item		Gender	Nationality	An Employee of the Company	Age				Professional Background				Professional Knowledge and Skills				
					30-40 years	50-60 years	61 -70 years	71 -80 years	Finance/Accounting	Industry	Information and Technology	Law	Ability to make sound business judgments	Ability to manage a business	Ability to lead and make decisions	Ability to handle crisis management	Knowledge of the industry
Director Name		Male	R.O.C.	✓			✓			✓	✓		✓	✓	✓	✓	✓
		Male		✓	✓					✓	✓		✓	✓	✓	✓	✓
		Male						✓		✓	✓		✓	✓	✓	✓	✓
		Male				✓				✓	✓	✓	✓	✓	✓	✓	✓
		Male		✓			✓		✓	✓		✓	✓	✓	✓	✓	✓
		Male				✓			✓	✓		✓	✓	✓	✓	✓	✓
		Male					✓			✓	✓	✓	✓	✓	✓	✓	✓
		Female						✓	✓	✓		✓	✓	✓	✓	✓	✓

#### Independence of the board of directors:

The procedures for the election of the Company's directors are transparent and impartial, in line with the Company's Articles of Incorporation and Corporate Governance Best Practice Principles. The structure of the current Board of Directors is composed of three independent directors (37.5%) and five non-independent directors (62.5%). Directors are selected by the candidate nomination system. During the nomination and selection of board members, the Company has obtained the written statement, work experience, current incumbency certificate, and kinship table provided by each director to verify and confirm the independence of themselves, their spouses, and their relatives within the third degree kinship to the Company. The Company has also verified that the 3 independent directors are in compliance with the qualification requirements stipulated in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission during the two years before their election and during their tenure. In addition, independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act to perform relevant functions and powers accordingly.

2. information on President, Executive Vice President, Assistant Vice President, and Supervisors of all the Company's Divisions and Branch Units

2023/4/28

Title	Nationality	Name	Gender	Date Elected	Shares		Shares Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President and Project Division Director	Republic of China	Hsiao-Ling Chiang	Male	2015.01.01	11,000	—	—	—	—	—	Experience: Manager, Mosel Electronics Co., Ltd./ Manager, Quanta Display Inc./ Senior Specialist, Project Department, L&K Engineering/ Special Assistant, President Office/Deputy Director, Project Division Education: Master, Industrial Safety and Disaster Prevention, College of Engineering, National Chiao Tung University	None	-	-	-	-
Executive Vice President	Republic of China	Min-Kui Hsu	Male	2013.06.26	846	—	100	—	—	—	Experience: Consultant, Ding Shung Engineering Corp./Assistant to Chairman, L&K Engineering/ Director, Procurement Division Education: Department of Electrical Engineering, National Taipei University of Technology	None	-	-	-	-

Title	Nationality	Name	Gender	Date Elected	Shares		Shares Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President, CIS & QA and EHS Auditing Office	Republic of China	Kuei-Yao Yeh	Male	2021.04.14	—	—	—	—	—	—	Experience: Manager, TECO Electric & Machinery/ Assistant Director, L&K Engineering (SUZHOU) Co., Ltd. Education: Department of Business Administration, Tamkang University	None	-	-	-	-
Vice President, Engineering Center-Department of Design	Republic of China	Ying-Te Liu	Male	2021.07.08	11,000	—	5,000	—	—	—	Experience: Assistant Vice President of Excel Air Cond. Co., Ltd. / Manager of L&K Engineering / Manager of Chung Yo Engineering Education: EMBA, National Taipei University	None	-	-	-	-
Senior vice president and Accounting and Finance Director and Finance Supervisor	Republic of China	Shu-Chen Chen	Female	2022.04.01	244,668	0.11%	108,069	0.05%	—	—	Experience: Vice President of L&K Engineering / Supervisor of RSEA Construction Engineering (Chongqing) Co., Ltd. / Senior Vice President and Person in Charge of Finance of L&K Engineering (SUZHOU) Co., Ltd. Education: Accounting, National Open College of Continuing Education Affiliated with National Taipei University of Business	None	-	-	-	-

Title	Nationality	Name	Gender	Date Elected	Shares		Shares Held by Spouse & Minors		Shares Held Through Nominees		Main Experience (Education)	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Accounting Supervisor	Republic of China	Ya-Lin Chan	Female	2022.04.01	—	—	—	—	—	—	Experience: Deputy Manager of Audit Department at Deloitte Taiwan / Senior Tax Officer of Tax Department at PwC Taiwan / Deputy Manager of Accounting Department at L&K Engineering Co., Ltd. Education: Master's in Accounting, Tamkang University	None	-	-	-	-
Chief Auditor	Republic of China	Fang-Man Peng	Female	2017.08.04	—	—	400	—	—	—	Experience: Officer, L&K Engineering Operations Center/Sales/Audit Office/Specialist Education: Finance Department, Yuanpei University of Science and Technology	None	-	-	-	-
Corporate Governance Officer	Republic of China	Shu-Ling Ko	Female	2021.03.05	7,579	0.01%	—	—	—	—	Experience: Manager, Finance Department and Accounting Department, L&K Engineering Education: Department of Accounting, Ming Chuan University	None	-	-	-	-

Number of shares held as of the ex-dividend date.

Note1. Shu-Chen Chen was appointed as Finance Supervisor on 2022/4/1. (Li-Tsun Huang was discharged from post on 2022/3/31.)

Note2. Ya-Lin Chan was appointed as Accounting Supervisor on 2022/4/1. (Li-Tsun Huang was discharged from post on 2022/3/31.)



iii. Remunerations Paid During the Most Recent Fiscal Year to Directors, President, and Vice President

1. Remunerations Paid to General Directors and Independent Directors

Unit: NT\$ 1,000

1. Remunerations Paid to General Directors and Independent Directors												Unit: NT\$ 1,000	
Title	Name	Remuneration Paid to Directors								(A+B+C+D) as a % of Net Income			
		Remuneration (A)		Pension (B)		Directors' Remuneration (C) (Note 3)		Expenses for Execution of Business (D)					
		The Company	All Consolidated Entities (Note 3)	The Company	All Consolidated Entities (Note 3)	The Company	All Consolidated Entities (Note 3)	The Company	All Consolidated Entities (Note 3)	The Company (%)	All Consolidated Entities (Note 3) (%)		
Shen Shen Investment Co., Ltd		-		-		6,920		-		0.69	0.54		
Representative Chu-Shiang Yao		4,500	1,058	-		-		30		0.56	0.44		
Wei Ze Investment Co., Ltd.		-		-		4,000		-		0.40	0.31		
Representative Bor-Jen Chen		4,398	370	-		-		12		0.48	0.37		
White Young Investment Co., Ltd.		-		-		4,000		-		0.40	0.31		
Representative Chih-Hsun Yao		-		-		-		24		0.002	0.002		
Xun Huei Investment Co., Ltd.		-		-		4,000		-		0.40	0.31		
Representative Chung-Cheng Lo		-		-		-		30		0.003	0.002		
Director Tze-Hung Wang		-		-		2,000		24		0.20	0.16		
Independent Director Chien-Jan Lee		-		-		2,000		30		0.20	0.16		
Independent Director Tung-Hao Ho		-		-		2,000		30		0.20	0.16		
Independent Director Cho-Lan Peng		-		-		2,000		24		0.20	0.16		

Title	Name	Remuneration Earned as Employee											(A+B+C+D+E+F+G) as a % of Net Income		Other compensations from non-subsidiary affiliates
		Salaries, Bonus, and Special Expenditure (E)		Pension (F)		Employees' Remuneration (G) (Note 3)				Exercisable Employee Stock Options (H)		Granted Employee Restricted Stock (I)			
		The Company	All Consolidated Entities (Note 3)	The Company	All Consolidated Entities (Note 3)	The Company		All Consolidated Entities (Note 2)		The Company	All Consolidated Entities (Note 3)	The Company	All Consolidated Entities (Note 3)	The Company (%)	
Cash	Stock					Cash	Stock								
Shen Shen Investment Co., Ltd		-		-		-	-	-	-	-	-		0.69	0.54	-
Representative Chu-Shiang Yao		-		-		-	-	-	-	-	-		0.56	0.44	-
Wei Ze Investment Co., Ltd.		-		-		-	-	-	-	-	-		0.40	0.31	-
Representative Bor-Jen Chen		-		-		-	-	-	-	-	-		0.48	0.37	-
White Young Investment Co., Ltd.		-		-		-	-	-	-	-	-		0.40	0.31	-
Representative Chih-Hsun Yao		1,748		-		500	-	-	-	-	-		0.23	0.18	-
Xun Huei Investment Co., Ltd.		-		-		-	-	-	-	-	-		0.40	0.31	-
Representative Chung-Cheng Lo		-		-		-	-	-	-	-	-		0.003	0.002	-
Director Tze-Hung Wang		-		-		-	-	-	-	-	-		0.20	0.16	-
Independent Director Chien-Jan Lee		-		-		-	-	-	-	-	-		0.20	0.16	-
Independent Director Tung-Hao Ho		-		-		-	-	-	-	-	-		0.20	0.16	-
Independent Director Cho-Lan Peng		-		-		-	-	-	-	-	-		0.20	0.16	-

Note 1: The names of the Company's directors are listed below:

Chairman: Representative of Shen Shen Investment Co., Ltd.: Chu-Shiang Yao.

Director: Representative of Wei Ze Investment Co., Ltd.: Bor-Jen Chen ; Representative of White Young Investment Co., Ltd.: Chih-Hsun Yao ; Representative of Xun Huei Investment Co., Ltd.: Chung-Cheng Lo ; Tze-Hung Wang.

Independent Director: Chien-Jan Lee, Tung-Hao Ho, Cho-Lan Peng.

Note 2: The amount paid by the Company is the same as the amount paid by all consolidated entities.

Note 3: This represents the directors' remuneration to be distributed as approved by the Board of Directors before the shareholders' meeting on the proposal of distribution of employee remuneration and director remuneration for 2022.

Note 4: Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent: The Board of Directors is authorized to determine the remunerations for the Directors and Independent Directors, taking into account the extent and value of the services provided for the management of the Company and the standards of the industry within the R.O.C. and overseas. The Remuneration Committee determines the salary and remunerations for the Company's President and Key Managers, taking into account individual performance, extent of contribution, and market trends.

#### Remuneration Range

Remuneration Paid to Directors by Range	Director Name			
	Total Remuneration from (A+B+C+D)		Total Remuneration from (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities H	The Company	All Consolidated Entities I
Under NT\$1,000,000	-		-	
NT\$1,000,000 (incl.)-NT\$2,000,000	Chien-Jan Lee, Tung-Hao Ho, Cho-Lan Peng ,Tze-Hung Wang		Chien-Jan Lee, Tung-Hao Ho, Cho-Lan Peng ,Tze-Hung Wang	
NT\$2,000,000 (incl.)-NT\$3,500,000	-		-	
NT\$3,500,000 (incl.)-NT\$5,000,000	Wei Ze Investment Co. , Ltd. White Young Investment Co., Ltd. Xun Huei Investment Co., Ltd.		Wei Ze Investment Co. , Ltd. White Young Investment Co., Ltd. Xun Huei Investment Co., Ltd.	
NT\$5,000,000 (incl.)-NT\$10,000,000	Shen Shen Investment Co., Ltd.		Shen Shen Investment Co., Ltd.	
NT\$10,000,000 (incl.)-NT\$15,000,000	-		-	
NT\$15,000,000 (incl.)-NT\$30,000,000	-		-	
NT\$30,000,000 (incl.)-NT\$50,000,000	-		-	
NT\$50,000,000 (incl.)-NT\$100,000,000	-		-	
Over NT\$100,000,000	-		-	
Total	8		8	

## 2. Remunerations Paid to President and Vice President

Unit: NT\$ 1,000

Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D) (Note 2)				(A+B+C+D) as a % of Net Income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Consolidated Entities (Note 1)	The Company	All Consolidated Entities (Note 1)	The Company	All Consolidated Entities (Note 1)	The Company		All Consolidated Entities (Note 1)		The Company (%)	All Consolidated Entities (Note 1) (%)	
								Cash	Stock	Cash	Stock			
President Hsiao-Ling Chiang		3,005	-	-	-	550	-	600	-	-	-	0.42	0.32	-
Executive Vice President Min-Kui Hsu		2,700	-	-	-	475	-	600	-	-	-	0.38	0.29	-
Senior vice president Shu-Chen Chen		2,340	-	-	-	190	-	600	-	-	-	0.31	0.24	-
Vice President, CIS & QA and EHS Auditing Office Kuei-Yao Yeh		2,180	-	-	-	400	-	500	-	-	-	0.31	0.24	-
Vice President, Engineering Center-Department of Design Ying-Te Liu		2,040	-	-	-	425	-	500	-	-	-	0.30	0.23	-

Note 1: The amount paid by the Company is the same as the amount paid by all consolidated entities.

Note 2: This represents the employees' remuneration to be distributed as approved by the Board of Directors before the shareholders' meeting on the proposal of distribution of employee remuneration and director remuneration for 2022.

## Remuneration Range

Range of Remuneration Paid to Each President and Vice President of the Company	Name of President and Vice President	
	The Company	All Consolidated Entities
Under NT\$1,000,000	-	
NT\$1,000,000 (incl.)-NT\$2,000,000	-	
NT\$2,000,000 (incl.)-NT\$3,500,000	Shu-Chen Chen, Kuei-Yao Yeh , Ying-Te Liu	
NT\$3,500,000 (incl.)-NT\$5,000,000	Hsiao-Ling Chiang, Min-Kui Hsu	
NT\$5,000,000 (incl.)-NT\$10,000,000	-	
NT\$10,000,000 (incl.)-NT\$15,000,000	-	
NT\$15,000,000 (incl.)-NT\$30,000,000	-	
NT\$30,000,000 (incl.)-NT\$50,000,000	-	
NT\$50,000,000 (incl.)-NT\$100,000,000	-	
Over NT\$100,000,000	-	
Total	5	

Remuneration to the Five Highest Remunerated Management Personnel of a TWSE or TPEX listed Company (Individual Disclosure of Names and Remuneration Items)

Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				(A+B+C+D) as a % of Net Income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company (%)	All Consolidated Entities (%)	
								Cash	Stock	Cash	Stock			
President Hsiao-Ling Chiang		3,005	-	-	-	550	-	600	-	-	-	0.42	0.32	-
Executive Vice President Min-Kui Hsu		2,700	-	-	-	475	-	600	-	-	-	0.38	0.29	-
Senior vice president Shu-Chen Chen		2,340	-	-	-	190	-	600	-	-	-	0.31	0.24	-
Vice President, CIS & QA and EHS Auditing Office Kuei-Yao Yeh		2,180	-	-	-	400	-	500	-	-	-	0.31	0.24	-
Vice President, Engineering Center-Department of Design Ying-Te Liu		2,040	-	-	-	425	-	500	-	-	-	0.30	0.23	-

### 3. Name of Managers to Whom Employee Remuneration is Distributed and Status of Distribution

Unit:NT\$ 1,000 2023/4/28

Title	Name	Stock	Cash	Total	Total as a Percentage of Net Income (%)
President and Executive Vice President	Hsiao-Ling Chiang, Min-Kui Hsu	-	NT13,340	NT13,340	1.34%
Vice president . Chief Auditor. Corporate Governance Officer. Accounting Supervisor.	Shu-Chen Chen, Kuei-Yao Yeh, Ying-Te Liu, Fang-Man Peng, Shu-Ling Ko, Ya-Lin Chan,				

This represents the amount of employee remuneration (including stock and cash) distributed to managers following Board approval in the most recent fiscal year. If the amount cannot be estimated, the distribution amount of this year shall be determined by the actual distribution ratio of last year. Net income refers to after-tax net profit of the most recent fiscal year. Net income based on the International Financial Accounting Standard (IFRS) refers to the income after tax as disclosed in the latest individual tax report.

4. Separately compare and describe total remuneration, as a percentage of net income stated in the financial reports or individual financial reports, as paid by the Company and all other companies included in the consolidated financial statements during the past 2 fiscal years to directors, president, and vice president, and describe remuneration policies, standards and packages, and the procedure through which remunerations were determined, and their association with business performance and future risks.

Unit: NT\$ 1,000

Title	2022		2021	
	The Company	All consolidated entities	The Company	All consolidated entities
Director	NT\$56,155 and 5.62%	NT\$56,155 and 4.37%	NT\$32,040 and 9.97%	NT\$32,040 and 9.89%
Independent Director				
President, Vice President, and other Key Managers				

The Board of Directors is authorized to determine the remunerations for the Directors and Independent Directors, taking into account the extent and value of the services provided for the management of the Company and the standards of the industry within the R.O.C. and overseas. The Remuneration Committee determines the salary and remunerations for the Company's President and Key Managers, taking into account individual performance, extent of contribution, and market trends.



iv. Corporate Governance Operating Status

**(I) Status of Board Operation**

A total of 5 board meetings (A) were held in the most recent year (2022); directors' attendance records are presented below:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remarks
Chairman	Shen Shen Investment Co., Ltd. Representative: Chu-Shiang Yao	5	0	100%	-
Director	Xun Huei Investment Co., Ltd. Representative: Chung-Cheng Lo	5	0	100%	-
Director	White Young Investment Co., Ltd. Representative: Chih-Hsun Yao	4	1	80%	-
Director	Wei Ze Investment Co., Ltd. Representative: Bor-Jen Chen	2	3	40%	-
Director	Tze-Hung Wang	4	1	80%	-
Independent Director	Chien-Jan Lee	5	0	100%	-
Independent Director	Tung-Hao Ho	5	0	100%	-
Independent Director	Cho-Lan Peng	4	1	80%	-

Other matters that require reporting:

- i. The date of the Board meeting, the term, contents of the proposals, opinions of all Independent Directors, and the Company's handling of opinions of Independent Directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:
  - (I) Items specified in Article 14-3 of the Securities and Exchange Act: For details, For more information, please refer to the Status of Audit Committee Operations on Page 56-57 of the Annual Report.
  - (II) With the exception of the aforementioned items, resolutions adopted by the Board of Directors, to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.
- ii. Directors abstaining in certain proposals for being a stakeholder (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts shall be stated): Details are as follows:

Date of board meeting	Agendas	Recusal of directors due to conflict of interests	Reason for Recusal and Status of Participation in Voting Process
2022.08.05	Changes to the Company's 2022 remuneration for managers	Bor-Jen Chen Chih-Hsun Yao	In accordance with Paragraph 2 in Article 206 of the Company Act, Director Bor-Jen Chen and Chih-Hsun Yao is the Company's manager and shall not participate in discussion and voting due to conflict of interest. This was passed without objection from any directors present in the meeting following the chair's inquiry.
2022.11.04	The Company's 2021 remuneration distribution proposal for managers and employees	Bor-Jen Chen Chih-Hsun Yao	In accordance with Paragraph 2 in Article 206 of the Company Act, Director Bor-Jen Chen and Chih-Hsun Yao are the Company's manager and shall not participate in discussion and voting due to conflict of interest. This was passed without objection from any directors present in the meeting following the chair's inquiry.

- iii. Implementation Status of Board Evaluation:

For effective corporate governance and better board performance, the Company has established the "Board of Directors Performance Evaluation Guidelines" which was approved by the Board of Directors on 2019/5/7. Two types of performance evaluation methods are adopted in the guidelines: internal and external evaluations; an internal board performance evaluation shall be conducted at least once every year and may be conducted by an external independent professional institution or a panel of external experts and scholars as needed. A board agenda working group is the unit conducting internal evaluations of the Company's board of directors and provides necessary information and assistance when the company appoints a team of external experts to conduct external evaluation.

When the Company performs internal board performance evaluation, the scope includes the evaluation of board of directors (functional committees) as a whole and self-evaluation by individual board members. The results have all met the evaluation criteria, indicating that the overall board operation is effective.

Evaluation Cycle	Evaluation Period	Evaluation Range	Evaluation Method	Evaluation Content
From at the end of each fiscal year to before the end of the first quarter of the following year	2022/1/1 to 2022/12/31.	Performance evaluation of the board of directors as a whole, individual directors, and functional committees.	Methods of evaluations include the internal evaluation of the board, self-evaluation by individual board members, and evaluation by appointed external professional institutions, experts, or other appropriate methods as needed.	<p>Aspects evaluated:</p> <ul style="list-style-type: none"> <li>➤ The evaluation of board (functional committee) operation as a whole covers the following items: <ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Improvement of the quality of the board of directors' decision making</li> <li>3. Composition and structure of the board of directors</li> <li>4. Election and continuing education of the directors</li> <li>5. Internal control</li> </ol> </li> <li>➤ The self-evaluation of individual board members covers the following items: <ol style="list-style-type: none"> <li>A. Directors' understanding of the company and awareness of their duties</li> <li>B. Participation in the operation of the company</li> <li>C. The director's professionalism and continuing education</li> <li>D. Internal control</li> </ol> </li> </ul>

iv. The results of the 2022 internal performance evaluation are presented below:

Evaluation results	The Company periodically inspects investment performance and target achievement rates. Board members also perform their functions of instruction and supervision, fully communicate in issues proposed in Board Meetings and other relevant topics and devote their expertise, forming an excellent Board Meeting culture. The Board is evaluated as excellent in overall, and this evaluation result was submitted to the first Board Meeting of 2023 for the Board's reference.
Suggestions	Given the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies, the continuing education of the Company's directors requires further improvement. The Company will, from time to time, provide directors with training and awareness courses that are promoted by the competent authority, and encourage directors to participate in continuing education to acquire the knowledge for the latest rules and regulations and the expertise required for decision making.

- v. Enhancements to the functionality of the board of directors in the current and the most recent year and the progress of such enhancements:

Objective	Performance evaluation
The board meetings shall be convened once every 3 months	<ul style="list-style-type: none"> <li>● The Company's Board of Directors has held 5 meetings in 2022 is in compliance with the Regulation and Procedure for Board of Directors Meetings, which states that board meetings shall be convened once every 3 months.</li> </ul>
Information disclosure and improve information transparency.	<ul style="list-style-type: none"> <li>● Key agendas are disclosed in accordance with laws on the Market Observation Post System and the company's website to ensure information disclosure and improve information transparency.</li> </ul>
Established a strong governance system and sound supervisory capabilities for the board of directors and strengthened management capabilities	<ul style="list-style-type: none"> <li>● The Company has established a strong governance system and sound supervisory capabilities for the board of directors and strengthened management capabilities in line with the Company's Regulation and Procedure for Board of Directors Meetings. In accordance with the Company's Board of Directors Performance Evaluation Guidelines, the evaluation results are presented during the board meeting on 2023/3/10: The results of the 2022 evaluation were rated as "excellent".</li> </ul>
To impart more knowledge on business operations and laws and regulations	<ul style="list-style-type: none"> <li>● the Company occasionally organizes external courses for directors and supervisors, as well as courses and training on securities laws and regulations.</li> <li>● To increase information transparency, the Company's auditors present regular audit reports to independent directors, and independent directors will from time to time communicate with the head of finance and auditors to understand the company's operating status</li> </ul>

## (II) Status of Audit Committee

A total of 5 committee meetings (A) were held in the most recent year (2022); attendance records are presented below:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remarks
Independent Director	Chien-Jan Lee	5	0	100%	
Independent Director	Tung-Hao Ho	5	0	100%	
Independent Director	Cho-Lan Peng	4	1	80%	

Other matters that require reporting:

- i. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee.
  - (I) Items specified in Article 14-5 of the Securities and Exchange Act: Appendix 1.
  - (II) With the exception of the aforementioned items, any issues that are not agreed by the Audit Committee but passed by more than two-thirds of all Directors: None.
- ii. The Independent Directors' avoidance of interest motion shall indicate the names of the Independent Directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: N/A; all members of the Audit Committee have thoroughly expressed their opinions during the meeting.
- iii. Composition and duties of the Audit Committee

Composition	It consists of three independent directors. A committee meeting is held at least once every 3 months. The Audit Committee is responsible for the fair presentation of the financial reports of the company; the hiring (and dismissal), independence, and performance of CPAs; the effective implementation of the company's internal control system; compliance with relevant laws and regulations by the company; and management of the existing or potential risks of the company.
Duties	<ol style="list-style-type: none"><li>(1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</li><li>(2) Assessment of the effectiveness of the internal control system.</li><li>(3) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.</li><li>(4) Matters in which a director is an interested party.</li><li>(5) Asset transactions or derivatives trading of a material nature.</li><li>(6) Loans of funds, endorsements, or provision of guarantees of a material nature.</li><li>(7) The offering, issuance, or private placement of equity-type securities.</li><li>(8) The hiring or dismissal of a certified public accountant, or their compensation.</li><li>(9) The appointment or discharge of a financial, accounting, or internal audit officer.</li><li>(10) Annual and semi-annual financial reports.</li><li>(11) Other material matters as may be required by this Corporation or by the competent authority.</li></ol>

- iv. Independent Directors' communication with chief internal auditor and CPAs (which shall include material items, methods, and results of communication over the Company's financial and business status etc.):

➤ Chief Auditor:

Since the establishment of the Audit Committee, a total of 21 committee meetings have been held. The Committee has been operating smoothly without interruption. The independent directors have a channel through which to communicate directly with internal auditors and CPAs. Communication has been effective. The chief auditor sends a monthly internal control system audit report and presents an annual audit plan to the independent directors. The chief auditor also presents an audit report during the quarterly audit committee meeting. When reviewing financial reports, the independent directors will convene a meeting with accountants to thoroughly communicate and discuss financial and business issues addressed in the financial report.

Meeting Date	Description of matters communicated between chief auditor and Audit Committee members
2022/3/30	·Review of the 2021 Statement of Internal Control System. ·Internal audit reports.
2022/5/6	·Internal audit reports.
2022/8/5	·Internal audit reports.
2022/11/4	·Review of the 2023 Audit Plan. ·Internal audit reports.

➤ Accountant: Communication meetings between accountant and those charged with governance.

Meeting Date	Description of the Company's key audit items communicated between chief auditor and Audit Committee members
2022/12/14	Planning Stage of Auditing- • Scope and timing of the 2022 audit.
2023/3/10	Stage of Completion of Auditing- • Auditor's responsibilities relating to audit of financial statements. • Scope of audit. • Audit findings. • Other matters to be noted. • Independence.

Appendix 1: Items specified in Article 14-5 of the Securities and Exchange Act

Date of board meeting	Motion and Subsequent Response	Any Independent Director Had a Dissenting Opinion or Qualified Opinion (leave blank if none)	Resolution (leave blank if approved as proposed)	Company's response to Audit Committees' opinions (leave blank if approved as proposed)
The 2nd session's 1st board meeting (2022.03.30)	(1) The Company's 2021 business report, financial statements, and consolidated financial statements.			
	(2) The Company's 2021 Self-Assessment and Statement of Internal Control System.			
	(3) The Company's 2021 proposal for distribution of earnings.			
	(4) Discussion on the Company's loaning of funds to subsidiary Hong Kong Unique Grand Limited.			
	(5) Change in the Company's finance supervisor who is also the acting spokesperson and change in accounting supervisor.			
	(6) The Company's regular evaluation of the independence of CPAs.			
	(7) Partial amendment to the Company's "Articles of Incorporation".			
	(8) Discussion on the partial amendments to the Company's "Procedure for the Acquisition or Disposal of Assets".			
	(9) The Company's establishment of Intellectual Property Management Procedure.			
The 2nd session's 2nd board meeting (2022.05.06)	(1) Partial amendments to the Company's "Standard Operating Procedures for Handling the Requests of Directors".			
	(2) Discussion on the Company's loaning of funds to subsidiary Hong Kong Unique Grand Limited.			
The 2nd session's 3rd board meeting (2022.06.24)	(1) The Company intends to participate in the capital increase by debt-to-equity method of the subsidiary Hong Kong Unique Grand Limited.			

Date of board meeting	Motion and Subsequent Response	Any Independent Director Had a Dissenting Opinion or Qualified Opinion (leave blank if none)	Resolution (leave blank if approved as proposed)	Company's response to Audit Committees' opinions (leave blank if approved as proposed)
The 2nd session's 4th board meeting (2022.08.05)	(1) The Company's extension of period of endorsement and guarantee provided to subsidiaries.			
	(2) The Company's extension of the period of endorsement and guarantee provided to the sub-subsidiary L&K Engineering (Vietnam) Co., Ltd.			
	(3) The amendments to the Company's "CC100 Handling and Controlling Measures for Electronic Computers."			
The 2nd session's 5th board meeting (2022.11.04)	(1) The Company's 2023 Audit Plan.			
	(2) The Company's extension of period of endorsement and guarantee provided to subsidiary RSEA Engineering Corporation privatized 2009.			
	(3) Partial amendment to the Company's "Rules of Procedure for Board of Directors Meeting".			

(III) With the exception of the aforementioned items, any issues that are not agreed by the Audit Committee but passed by more than two-thirds of all Directors:  
None.



(IV) Describes any deviation in the Company’s actual governance from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation:

Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
i. Does the Company follow “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices?	V		The Company has established the “Corporate Governance Best Practice Principles for L&K Engineering Co., Ltd.” made available on the Company’s website ( <a href="http://www.lkeng.com.tw">www.lkeng.com.tw</a> ) under Major Internal Policies of the Corporate Governance page in the Investors section.	No significant difference.
ii. Shareholding structure and shareholders’ equity				
(I) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		The Company has established the “Procedures for Handling Material Inside Information” and appointed a Spokesperson and Acting Spokesperson to communicate and handle shareholders’ suggestions or disputes, etc.	No significant difference.
(II) Does the Company possess a list of major shareholders and the ultimate owners of these major shareholders?	V		This Company hires a stock agency to manage the shareholding of our major shareholders. L&K keeps constant track of the stock and pledge holdings of directors, managers, and shareholders holding more than 10% of the Company’s shares.	No significant difference.
(III) Has the Company built and executed a risk management system and firewall between the Company and its affiliates?	V		The Company has established “Guidelines for the Management of Related Parties, Specific Companies, and Corporate Groups”, which clearly stipulate the rules to comply when transacting with affiliates.	
(IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		The Company has set up code of ethics for directors and senior managers and signed the Director and Manager Statement to clearly regulate insider-related compliance.	

Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
iii. Composition and duties of the board of directors				
(I) Has the Board of Directors devised a diversity policy, set specific management goals, and implemented them accordingly?	V		<p>The Company's Board of Directors consists of 8 members, 3 of whom are independent directors (37.5%). Each director is equipped with professional background in business management, finance and accounting, commerce, law, and IT, etc.</p> <p>Mr. Chien-Jan Lee and Ms. Cho-Lan Peng have a background in accounting and financial analysis, and Mr. Chung-Cheng Lo has expertise in law; they can provide the company with professional suggestions from different perspectives. This composition is in line with the Company's diversity policy for board composition.</p> <p>In addition, the Company also values gender equality in the composition of its Board of Directors; 1 of the 8 members is female, making up 12.5% of the Board. See Page 39 for information on board diversity.</p>	No significant difference.
(II) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company voluntarily set up other functional committees?		V	The Company has established the Remuneration Committee and Audit Committee but has not yet set up other functional committees.	The Company may do so if needed, depending on the condition and size of its business in the future.

Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
(III) Has the Company established methodology and guidelines for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and used the results as reference for directors' remuneration and renewal?	V		<p>The Company has reported the results of the evaluation to the Board of Directors on 2023/3/10: The results of the 2022 evaluation were rated as "excellent".</p> <p>1. Aspects evaluated:</p> <ul style="list-style-type: none"> <li>*The evaluation of board (functional committee) operation as a whole covers the following items: <ul style="list-style-type: none"> <li>A. Participation in the operation of the company;</li> <li>B. Improvement of the quality of the board of directors' decision making;</li> <li>C. Composition and structure of the board of directors;</li> <li>D. Election and continuing education of the directors; and</li> <li>E. Internal control.</li> </ul> </li> <li>* The self-evaluation of individual board members covers the following items: <ul style="list-style-type: none"> <li>A. Directors' understanding of the company and awareness of their duties;</li> <li>B. Participation in the operation of the company;</li> <li>C. The director's professionalism and continuing education; and</li> <li>D. Internal control.</li> </ul> </li> </ul> <p>2. Evaluation Period: 2022/1/1 to 2022/12/31.</p>	No significant difference.

Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
(III) Has the Company established methodology and guidelines for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and used the results as reference for directors' remuneration and renewal?			3. Evaluation results: The Company periodically inspects investment performance and target achievement rates. Board members also perform their functions of instruction and supervision, fully communicate in issues proposed in Board Meetings and other relevant topics and devote their expertise, forming an excellent Board Meeting culture. The Board is evaluated as excellent in overall, and this evaluation result was submitted to the first Board Meeting of 2023 for the Board's references.	No significant difference.
(IV) Does the Company regularly evaluate its CPAs' independence?	V		The Company reviews the independence of its CPAs by following the items of evaluation specified in the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 "Integrity, Objectivity and Independence" and regularly evaluates its CPAs' independence. Evaluation is conducted by using the CPAs' Independence Declaration and the aforementioned independence evaluation criteria. The evaluation results show that all the independence criteria were met, indicating that the individuals being evaluated are qualified to be the Company's CPAs. The Company has reported the results to the Board of Directors on 2023/3/10 and passed.	No significant difference.

Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
iv. Has the TWSE/TPEX listed company appointed an adequate number of competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs handle governance related affairs (including but not limited to furnishing information required for business execution by directors, assisting directors and supervisors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		On 2021/3/5, the Company has appointed a corporate governance officer and designated personnel to handle corporate governance affairs handle governance related affairs including but not limited to furnishing information required for business execution by directors, handling matters related to board meetings and shareholders' meetings according to law, processing company registration and change of registration, and recording minutes of board meetings and shareholders' meetings.	No significant difference.
v. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate social responsibilities?	V		1. The Company pays attention to the equilibrium in the power and obligations of its stakeholders (including shareholders, employees, customers, up/downstream suppliers, banks, and creditors). The Company has created a Stakeholders Section on its company website through which it properly responds to stakeholders' concerns regarding key corporate social responsibility issues. A feedback email fd1300@lkeng.com.tw has been created for stakeholder complaint, which will be handled by dedicated personnel.	No significant difference.

Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate social responsibilities?	V		2. The Company has created a Corporate Governance Section for investors to make inquiries and download corporate governance-related rules, major resolutions of board meetings, and material information.	No significant difference.
vi. Has the Company appointed a professional registrar for handling affairs related to Shareholders' Meetings?	V		The Company has engaged Corporate Trust Operation and Service Department, CTBC Bank Co., Ltd. to handle matters relating to Shareholders' Meetings.	No significant difference.
vii. Information Disclosure				
(I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		The Company regularly discloses its financials, business, and corporate governance status on its website. The Company regularly updates its financials and business information on a Shareholder Service page. See the company's website at <a href="http://www.lkeng.com.tw">http://www.lkeng.com.tw</a> .	No significant difference.
(II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		The Company's website is available in Chinese and English language. The Company has created an Investor Section (Shareholder Service and Corporate Governance) and designated staff to regularly update its financials and business information. The Company has appointed a Spokesperson and an Acting Spokesperson and regularly discloses information related to the company on the Market Observation Post System and company website for investors.	No significant difference.

Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	The Company announces and reports the financial statements as well as the operating status of each month on the date indicated in the “List of Matters Required to Be Handled by Issuers of Listed Securities”.	No significant difference.
viii. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(I) Employee rights: With respect to employees’ stock option bonus, health management, social club and leisure activities, benefits, leaves, retirement system, and career development, the Company has a complete system in place, and discloses relevant information on the company website for employee’s reference.</p> <p>(II) Employee wellness: The Company sets up an employee care website, providing various services to address employee concerns such as career plans, interpersonal relations, self-understanding, emotions, etc. These services include direct consultations, referrals, and questionnaire surveys on mental health, personal interests, and careers, among other counseling services.</p> <p>(III) Supplier relations: The Company maintains a positive interaction with its suppliers. In addition to holding meetings from time</p>	No significant difference.

Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
viii. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>to time to discuss market trends and price information, the Company frequently reviews its product delivery and quality performance. Since its establishment, the Company has never been late on payments and its suppliers have always made deliveries on time. The Company therefore takes advantage of this positive interaction to create a win-win situation for the company and its suppliers.</p> <p>(IV) Investor relations: The Company has appointed a spokesperson and acting spokesperson who handles shareholders and outsiders' questions and suggestions about the Company. In addition, to enhance business transparency, the Company announces financials, business, and material information on the Market Observation Post System on a monthly basis as required by law, and has created an Investor Relation section on its website to provide investor access to the financials and business information relating to the Company.</p> <p>(V) The rights of stakeholders: The Company always keeps its promises; maintains an excellent interaction and open channels of communication with its banks, employees,</p>	No significant difference.



Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
viii. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>customers, and suppliers; and emphasizes and protects the legal rights of these stakeholders. The Company has appointed a spokesperson and acting spokesperson to answer and address stakeholders' problems, thereby protecting stakeholders' rights.</p> <p>(VI) Directors and supervisors' training records: From time to time, the Company informs directors of professional training and continuing education courses and complies with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies to ensure that directors continue to learn professional knowledge.</p> <p>(VII) The implementation of risk management policies and risk evaluation measures: The Company's risk management policies serve to create maximum investment value for shareholders and to protect the interests and rights of all shareholders, creditors, and employees, provided however that the company maintains steady business growth, guarantees safe operations, and ensures a balance between profit and risk.</p>	No significant difference.

Items Assessed	Implementation Status			Any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
viii. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(VIII) The implementation of customer relations policies: The Company upholds the code of business ethics and maintains a positive relationship with its customers. Policies for customer quality cover aspects about R&amp;D and innovation, ongoing improvements, rapid response, customer satisfaction, earth protection, and environmental care. Technicians are made available to communicate and resolve problems pertaining to the timely delivery of customer orders and after-sales product services.</p> <p>(IX) Purchasing insurance for directors and supervisors: The Company has purchased a NT\$316,100,000 director liability insurance for the period 2022/8/21 to 2023/8/21. The Company has reported the status of insurance renewal to the Board of Directors on 2022/11/04.</p>	No significant difference.

- ix. Please describe the improvement status and provide the items and measures that shall be prioritized for improvement with regard to the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year:

With regard to the items that shall be prioritized for improvement according to the Company's 8th Corporate Governance Evaluation results:

Item	Subject	Improvement Status
2.5	Is it true that the number of the directors on the company's board of directors who are employees of the company or of its parent, subsidiary, or sister company is less than or equal to one-third of the total number of directors?	Plans for the full re-election of directors are in progress.
2.25	Have independent directors of the Company completed the required training hours of continuing education in accordance with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies?	The Company will, from time to time, provide directors with information on courses and awareness meetings that are promoted by the competent authority.

(IV) The Composition, Responsibilities, and Operation of the Remuneration Committee:

1. The Remuneration Committee serves to assist the Board of Directors with implementing and evaluating the company's remuneration and welfare policies, as well as remuneration for managers.
2. Information Regarding Remuneration Committee Members

Criteria Identity (Note 1) Name		Professional Qualifications and Experience (Note 2)	Independence Status (Note 3)	Number of other public companies in which the member also serves as a member of their remuneration committee
Convener and Independent Director	Tung-Hao Ho	See Pag36-38 Disclosure of information on the professional qualifications of directors and independence of independent directors	(1) Not employed by the Company or any of its affiliated companies. (2) Not a director or supervisor of the Company or any of its affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders. (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3. (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or of a corporate shareholder that ranks among the top five in shareholdings or of a corporate shareholder that appoints a representative, as provided in Paragraphs 1 or 2, Article 27 of the Company Act, to act as a director or supervisor of the company. (6) Not a director, supervisor, or employee of other companies controlled by the same person with more than half of the company's director seat or voting shares. (7) Not a director, supervisor, or employee of another company or institution of the same person or spouse who is the company's chairman, president, or persons with equivalent position. (8) Not a director, supervisor, manager or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting or related services to the Company or to any of its affiliate, or a spouse thereof, and the service provided is an audit service or a service with compensation. (10) Not a spouse or relative of second degree or closer to any other directors.	None
Independent Director	Chien-Jan Lee			2
Independent Director	Cho-Lan Peng			None

Note 1: Please specifically fill in the number of years of relevant work experience, and the professional qualifications and experience, and the status of independence, of each remuneration committee member. If the member is an independent director, add a note directing readers to refer to the relevant information in Table 1 Information on Directors and Supervisors (1) on p. OO. For “Identity,” please specify whether the member is an independent director or other (if the member is the convener, please note that fact).

Note 2: Professional Qualifications and Experience: Describe the professional qualifications and experience of each member of the remuneration committee.

Note 3: Independence Status: Describe the status of independence of each remuneration committee member, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a “specified company” (see Article 6, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

### 3. Operation of the Remuneration Committee

(1). The Company’s Remuneration Committee consists of 3 members.

(2). The term of this Committee: 2021/08/17 to 2024/08/08.

A total of 3 committee meetings (A) were held in the most recent year (2022); attendance records are presented below:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Tung-Hao Ho	3	0	100%	
Member	Chien-Jan Lee	3	0	100%	
Member	Cho-Lan Peng	3	0	100%	
Other matters that require reporting:					
i. If the Board of Directors does not adopt or amend the Remuneration Committee’s suggestions, specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company’s handling of the Remuneration Committee’s opinions (if the remuneration approved by the Board of Directors is superior to that suggested by the Remuneration Committee, please specify the deviation and reason): None.					
ii. For resolution(s) made by the Remuneration Committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company’s handling of the said opinions: None.					

4. Resolutions of the Remuneration Committee:

Date	Discussing Items	Resolution	The Company's handling of the opinions of the Remuneration Committee members.
2022.03.30 The 4th Session (the 1st meeting)	<ol style="list-style-type: none"> <li>1. Review and deliberation of the Company's proposal for distribution of employee and director remunerations in 2021.</li> <li>2. Review and deliberation of the change in the Company's finance supervisor who is also the acting spokesperson and change in accounting supervisor,.</li> </ol>	Passed as proposed without objection from all Committee Members	N/A
2022.08.05 The 4th Session (The 2nd meeting)	<ol style="list-style-type: none"> <li>1. Discussion, review and deliberation on the Company's proposal for adjustments to remunerations of managers and employees in 2022.</li> </ol>	Passed as proposed without objection from all Committee Members	N/A
2022.11.04 The 4th Session (the 3rd meeting)	<ol style="list-style-type: none"> <li>1. Discussion, review and deliberation on the Company's proposal for adjustments to remunerations of managers and employees in 2021.</li> </ol>	Passed as proposed without objection from all Committee Members	N/A

(V) Fulfillment of social responsibilities and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

The Company's systems and measures and its implementation status with respect to environmental protection, social engagement, social contribution, social services, charity and welfare, consumer interest, human rights, safety and health, and other socially responsible activities.

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
i. Did the company establish a governance framework for the promotion of sustainable development and set up an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development, with a senior management delegated by the Board of Directors to handle and report on the same to the board of directors?	V		There is a committee in the Company promoting sustainable development. Responsible person will report the progress of operational procedures to the Board of Directors.	No significant difference
i i. Does the company perform risk assessments in environmental, social, and corporate governance issues relevant to its business activities according to the materiality principle and devise risk management policies and strategies accordingly?	V		<p>The Company manages the environment by setting up a dedicated unit that guides relevant departments to obtain operation permits in accordance with occupational safety and environmental laws and regulations, to adopt ISO 45001 Occupational Safety and Health Management System and ISO 14001 Environmental Management System, and to raise the occupational safety and environmental awareness of applicable departments.</p> <p>As of the end of 2021, the Company has introduced the following management systems: ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 45001 Occupational Safety and Health Management System, and CNS 45001. By operating the above mentioned management systems continuously, the Company can effectively monitor and provide timely responses to risks relating to the environment, employee safety, customers, and suppliers.</p> <p>Due to an increased reliance on</p>	The department follows the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and related regulations when there are regulatory or practical requirements that must be considered

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
i i. Does the company perform risk assessments in environmental, social, and corporate governance issues relevant to its business activities according to the materiality principle and devise risk management policies and strategies accordingly?	V		<p>information technologies in business activities, the Company also strengthens the governance of information security risks by formulating applicable policies:</p> <ol style="list-style-type: none"> <li>1. To enhance information security management, the Company has established the “Information Security Policy” in 2019 and uses this policy as the basis for ensuring the continuous robust operation of information security management systems.</li> <li>2. The Company follows the Information Compliance Guidelines for IT Users to provide employees with information security education, compliance training, and case study analysis.</li> <li>3. The Company places a strong emphasis on the protection of information security and confidential information, which is evident by its adoption of information security related protection measures such as installing firewalls, IT equipment, and anti-virus software programs. In doing so, the Company endeavors to avoid cyberattacks by malicious hackers, computer viruses, and blackmails that would influence the stable operation of the company’s business systems.</li> </ol>	No significant difference
iii. Environmental issues				
(I) Does the Company establish proper environmental management systems based on the characteristics of its industries?	V		The Company has approved the ISO14001 Environmental Management System and regularly reviews and improves the implementation of related operations.	No significant difference



Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(II) Is the company committed to improving energy efficiency and using recycled materials which have a low impact on the environment?	V		<p>1. The Company establishes environmental safety and health policies and regularly raises the environmental awareness of all of its employees.</p> <p>2. The Company installs recycling bins, practices waste sorting, and constantly reminds its employees to recycle resources, reduce waste, reuse wastes, and be socially responsible.</p> <p>3. The Company controls the air-conditioner temperature during summer and effectively utilizes resources to achieve the goals of energy conservation and carbon reduction.</p>	No significant difference
(III) Does the Company evaluate its present and future potential risks and opportunities to the climate change and take corresponding measures on climate issues?	V		The Company has established the “QA and EHS Auditing Office” which is responsible for matters related to environmental protection, occupational safety and health. The Office implements environmental management practices, including saving water, conserving energy, and reducing carbon and greenhouse gas production. For example: to reduce energy consumption, the Company prioritizes buying environmentally friendly materials and green energy, regulates the central air-conditioner temperature to save electricity, and installs lighting devices that switch on and off automatically.	No significant difference

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(IV) Does the Company calculate the greenhouse gas emission, water consumption and total weight of waste in the past two years, and establish policies for energy conservation and carbon reduction, greenhouse gas and water consumption reduction or other waste management?	V		The Company monitors its CO2 emission every six months to ensure the level of its emission meets regulatory requirements. With regard to total weight of waste, the Company formulates annual plans to achieve waste reduction and environmental protection.	No significant difference
iv. Social issues				
(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		In compliance with various labor laws, the Company organizes labor and health insurance for its employees and contributes to employees' pension to ensure employee rights. In addition to protecting employees' rights as required by law, the Company also purchases accident insurance, life insurance, and other commercial insurance policies for all of its employees. The Company's "Work Rules" and "Employee Safety and Health Rules" which were submitted in accordance with law, have been approved and kept for reference by the Labor Affairs Bureau. The Company established human rights policies and management measures on 2020/8/6.	No significant difference

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(II) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, leave and other benefits), and appropriately reflect business performance or results in employee remuneration?	V		<p>Regarding employee welfare, the Company adopts diverse welfare systems and a complete set of retirement guidelines that comply with law.</p> <p>The Company implements job rank system, in which ranks are assigned according to an employee's skills, and salaries are adjusted to their rank. Except for employees subject to performance appraisals, all other employees can have their salary adjusted to inflation.</p> <p>The Company has established the Labor Pension Supervisory Committee in accordance with regulations. Pension contributions are regularly deposited into accounts held under Bank of Taiwan (formerly Central Trust of China). Regular meetings to review pension contributions and use are held to protect employee rights. For employees that opt for the new pension system, a monthly contribution at 6% of their salary is deposited into their individual pension accounts with the Bureau of Labor Insurance.</p>	No significant difference
(III) Does the Company provide a safe and healthy working environment and organize training on safety and health for its employees on a regular basis?	V		<ol style="list-style-type: none"> <li>1. CO2 emissions in office environment are measured and monitored every six months: (legal standard of CO2 should be lower than 5,000 ppm; the Company's measurements were all lower than 1,000 ppm).</li> <li>2. The potential hazards in machine and equipment SOP are monitored, and education and training are provided to operating personnel.</li> <li>3. Occupational injuries are analyzed and discussed as per regulations and subsequently improved to avoid reoccurrence.</li> <li>4. The Company offers safety and health education training courses for newly hired employees.</li> <li>5. Quarterly meetings with the</li> </ol>	No significant difference

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(III) Does the Company provide a safe and healthy working environment and organize training on safety and health for its employees on a regular basis?			Occupational Safety and Health Committee are held to discuss environmental safety and health issues with unit supervisors and raise their awareness. 6. Unit supervisors of a specific operation at an operating site are educated and trained, and applicable certifications are obtained to reinforce knowledge on onsite safety management. 7. A breastfeeding room is provided for pregnant employees, and employees are given parental leave. 8. The Company regularly monitors its operating environment and checks the quality of its drinking water. Regular health check-up for employees serves as to remind employees of their health status. Relevant events/courses (e.g., health talks and stress management talks) are organized in the hope of improving employees' health.	No significant difference
(IV) Has the Company established an effective career development training program for employees?	V		The Company provides yearly training, internally and externally, by following its annual training program. Effective professional training programs for employees have been established to strengthen employees' abilities to develop their career.	No significant difference

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(V) Does the company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing and labeling of products and services, and other related issues and does it establish relevant consumer or customer protection policies and grievance procedures?	V		<p>The Company complies with relevant laws and international standards in relation to labeling of products and services.</p> <p>The Company has developed relevant internal control procedures to ensure the reasonability of its R&amp;D, procurement, and production operations. Open channels of communication with suppliers are maintained to safeguard the reasonable interests and rights both parties are entitled to on the basis of mutual trust and reciprocity. The Company is a professional construction management company. The interests and rights of its clients are stipulated in contracts, and channels for handling client complaints are made available to forge a more harmonious relationship between the company and its clients.</p>	No significant difference
(VI) Has the company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	V		<p>The Company has established relevant evaluation and management guidelines - "Guidelines for New Supplier Adoption and Supplier Evaluation and Selection". In addition to requesting close cooperation from suppliers, the Company also conducts supplier evaluation on a regular basis. The Company stipulates suppliers' compliance obligations in its business contract and communicates to suppliers the Company's supplier management policy (which covers environmental, occupational safety and health or human rights requirements). The supplier and its personnel are strictly forbidden to offer any benefits to the Company's personnel for the purpose of facilitating the signing of the contract, seeking unlawful gains, avoiding losses or other illicit intentions.</p>	No significant difference

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(VI) Has the company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	V		The Company's contracts for major suppliers include clauses stating that the contract may be terminated or rescinded at any time when a supplier violates CSR policies and poses significant impact on the environment and society.	No significant difference
v. Does the company prepare sustainability reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or guarantees for the reports above?	V		<ol style="list-style-type: none"> <li>Regarding the assurance of third-party verification units in relation to corporate social responsibilities, see viii. Other information regarding "Corporate Responsibility Report " which is verified by certification bodies.</li> <li>The Financial Supervision Commission requires TWSE Listed and TPEX Listed Companies with the paid-in capital more than or equal to NT\$2 billion to prepare and submit the sustainable report in 2023: the rule applies to the Company this year for the first time.</li> </ol>	No significant difference
vi. If the Company has established its corporate social responsibility code of practice according to "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe the operational status and differences: The Company has formulated the Sustainable Development Best Practice Principles. No significant difference.				
vii. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility (e.g., systems and measures and its implementation status with respect to environmental protection, community engagement, social contribution, social services, charity and welfare, consumer interest, human rights, safety and health, and other socially responsible activities): <ol style="list-style-type: none"> <li>Environmental protection: The Company implements environmental control and management in accordance with regulations. Please see information on environmental expenditures.</li> <li>Human rights: All employees of the Company are provided with equal employment opportunities, irrespective of their sex, religion, race, and party affiliation. The Company creates a positive working environment that protects employees against discrimination and harassment.</li> <li>Safety and health: The Company implements safety and health control and management in accordance with governmental laws and regulations.</li> <li>Social services: The Company provides social services from time to time, improves its social</li> </ol>				

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
engagement, contribution, and services, and actively participates in social rescue and relief activities, such as: (1). Donating resources and money on a regular basis to children who are under the care of the Center for Children and Families in Hsinchu. (2). Making regular donations to Ching-Shiang Youth Care Association. (3). Making regular donations to police officers in Hsinchu County. (4). Making regular donations to St. John’s University. (5). Making regular donations to To-Sun Charity Foundation. (6). Making regular donations to Xingang Fengtian Temple in Chiayi County. (7). Engaging in long-term collaboration with St. John's University and Cheng Shiu University, Tungnan University, Lunghwa University of Science and Technology, Chien Hsin University of Science and Technology, Southern Taiwan University of Science and Technology and Kun Shan University in cooperative education				
viii. Other information regarding “Corporate Responsibility Report ” which is verified by certification bodies, shall be described below:				
	<u>Certification Item</u>	<u>Certification Body</u>	<u>Certification Standards</u>	<u>Validity</u>
1.	ISO 9001 Quality Management System	SGS	ISO 9001:2015	2021/9/15-2024/12/14
2.	ISO 14001 Environmental Management System	SGS	ISO 14001:2015	2021/9/15-2024/12/14
3.	ISO 45001 Occupational Safety and Health Management System	SGS	ISO 45001:2018	2021/09/04-2024/09/03
4.	CNS 45001 Taiwan Occupational Safety and Health Management System	SGS	CNS:45001:2018 Certificate No.: CB05-98061-04	2021/09/04-2024/09/03

(VI) Ethical Corporate Management and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and Reasons for Such Deviation:

Items Assessed	Implementation Status			Any deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
i. Establishment of ethical corporate management policies and programs				
(I) Has the Company formulated its ethical corporate management policies approved by the Board of Directors and declared the policies and procedures in its guidelines and external documents, as well as the commitment from its board and senior management to implement the policies?	V		The Company upholds the principles of ethical management and a well-developed corporate culture. Moreover, the Company has established the “Ethical Corporate Management Best Practice Principles”, “Code of Ethics”, “Work Rules”, “Procedures for the Management and Protection of Business Secrets”, and other relevant procedures and disciplinary guidelines, which were presented and approved at the board and shareholders’ meetings. These procedures and guidelines are used to regulate employee conduct so that all employees throughout the company are honest with each other and refrain from involvement in any improper activities (e.g.: theft, deception, coercion, bribery, etc.) for the benefit of the company or for personal gain.	No significant difference



Items Assessed	Implementation Status			Any deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
(II) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company explicitly states in its Ethical Corporate Management Best Practice Principles that unethical conducts, such as offering and accepting bribes and providing illegal political donations are prohibited. Violators shall be subject to disciplinary action in accordance with law.	No significant difference
(III) Does the Company specify operating procedures, behavior guidelines, disciplinary penalties and grievance system in the program to prevent dishonesty, and implement it, and regularly review and revise the aforementioned program?	V		The Company has established the “Ethical Corporate Management Best Practice Principles” and “Code of Ethics”. Morning meetings are occasionally held to communicate and remind employees of the content of the practice principles. Furthermore, relevant principles are made publicly accessible on the company’s website.	No significant difference

Items Assessed	Implementation Status			Any deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
ii. Implementation of Ethical Management				
(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		The Company has established the Ethical Corporate Management Best Practice Principles, which explicitly prohibit business transactions with unethical agents, suppliers, clients, or other trading counterparties. In the event a business partner or trading counterparty is found to be involved in unethical conduct, the Company shall enforce the company's corporate ethical management policy by immediately ceasing business transactions with and blacklisting the person involved.	No significant difference
(II) Does the Company establish a dedicated unit supervised by the Board to be in charge of corporate integrity, and regularly (at least once a year) report its ethical management policies and preventive measures as well as its implementation of supervision to the Board of Directors?	V		The promotion and implementation of the Company's corporate ethical management are tasked to the President and Administration Division. Unethical conducts, handling methods, and review and improvement measures are reported to the Board of Directors.	No significant difference
(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The Company's Ethical Corporate Management Best Practice Principles includes clauses regarding director recusal of conflict of interest. When a meeting agenda conflicts with the personal interest of a director, the principle of avoidance of conflicting interests is followed. The Company has also set up an	No significant difference

Items Assessed	Implementation Status			Any deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?			“Employee Mailbox” to encourage employees to give feedback and report any violations and grievances to their direct supervisor or the Audit Office.	No significant difference
(IV) Does the Company have effective accounting and internal control systems in place to uphold business integrity? Does the internal audit unit follow the results of risk assessments for unethical behavior and devise plans to audit the systems accordingly to prevent unethical conduct, or hire accountants to conduct the audits?	V		To ensure the implementation of business integrity, the Company has effective internal control and accounting systems in place, and implements them effectively. Internal auditors from the Audit Office will perform audits regularly or from time to time and present audit reports to the Audit Committee and Board of Directors.	No significant difference
(V) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		The Company’s management team keeps employees informed of relevant operational integrity regulations at monthly meetings or department meetings.	No significant difference

Items Assessed	Implementation Status			Any deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
iii. Implementation of Complaint Procedures				
(I) Does the Company establish specific complaint and reward procedures, setup conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		The Company has a set of “Work Rules” in place. If employees break these rules, disciplinary actions will be taken against them according to the severity of their violation. An “Employee Mailbox” has also been set up to encourage employees to give feedback and report any violations and grievances to their direct supervisor or the Audit Office.	No significant difference
(II) Has the Company established standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		An illegal activities or unethical conducts can be reported using the Company’s reporting system - “Employee Mailbox”, which is available internally and externally on its website. A unit made up of independent directors is responsible for investigating the reports and ensures the confidentiality of the identity of the whistleblower and the content of the filed report.	No significant difference
(III) Does the Company adopt measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	V		Grievance procedures and confidentiality mechanisms are provided in relevant regulations.	No significant difference

Items Assessed	Implementation Status			Any deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviation
	Yes	No	Summary	
iv. Enhancement of Information Disclosure				
Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the Market Observation Post System?	V		The Company has disclosed the implementation status of its business ethics guidelines on its website and in annual reports.	No significant difference
v. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has established the Ethical Corporate Management Best Practice Principles, which contain the “Purpose”, “Scope”, “Prohibited Matters”, “Avoidance of Conflicting Interests”, and “Information Disclosure”. The Principles clearly define the requirements of ethical management, have no significant difference to the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and are in line with the requirements of the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEX Listed Companies.				
vi. Other important information to facilitate better understanding of the company’s ethical corporate management policies: (e.g., review and amend its policies):  (I) The Company has established the “Corporate Governance Principles” which is distributed internally to facilitate the Board and senior managements’ implementation of corporate governance compliance. These Principles are also made available to shareholders, investors, and stakeholders on the company’s website ( <a href="http://www.lkeng.com.tw">http://www.lkeng.com.tw</a> ) under Investors section.  (II) To prevent insider trading, the Company’s Board of Directors has approved the Procedures for Handling Material Inside Information on 2009.12.18. Every elected directors and supervisors are asked to sign a non-disclosure agreement. Employment contracts signed when an employee reports for duty also include a non-disclosure clause.				

- (VII) Implementation Status of Internal Control System  
 1.Internal Control Statement: See Page 99 of this Annual Report.  
 2.If the internal control policy was reviewed by an external accountant, the report of such review shall be disclosed: N/A.
- (VIII) Legal penalty against the company and its internal personnel, any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, the main shortcomings, and status of improvement:  
 With respect to procedures for handling the violation of company management regulations by company employees or business partners, the Company follows applicable regulations to take appropriate disciplinary actions, and ensures that the supervisor of the department involved takes measures to strengthen employee supervision and provide training so as to prevent reoccurrence.
- (IX) Material resolutions of a shareholders' meeting or board meetings during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report and implementation status of resolutions of shareholders' meeting
- (1) Major Resolutions of the 2022 Shareholders' Meeting

Date	Name of Meeting	Major Resolutions
2022.06.24	Annual Shareholders' Meeting 2022	I. Matters for Acknowledgments i. Acknowledgment of the Company's 2021 business report and financial statements ii. Acknowledgment of the Company's 2021 proposal of distribution of earnings II. Matters for Discussion i. Discussion on the partial amendments to the Company's "Procedure for the Acquisition or Disposal of Assets"

(2) Implementation Status of the Major Resolutions of the 2022 Shareholders' Meeting

Items to be Resolved	Major Resolutions
1. Acknowledgment of the Company's 2021 business report, financial statements, and consolidated financial statements	This resolution has been approved at the Shareholders' Meeting and announced on the Market Observation Post System in accordance with regulations.
2. Acknowledgment of the Company's 2021 proposal of distribution of earnings	This resolution has been approved at the Shareholders' Meeting and announced on the Market Observation Post System in accordance with regulations. Distribution of NT\$338,311,394 in cash dividends for shareholders has been approved; the baseline date for dividend distribution was set to 2022/09/12, and distribution was completed on 2022/09/30.
3. Discussion on the partial amendments to the Company's "Procedure for the Acquisition or Disposal of Assets"	The voting results showed that the number of votes in favor of this resolution met statutory requirements. This resolution was passed as proposed. The resolution was announced on the Market Observation Post System and the Company's website on 2022/06/24 and procedures were carried out following the amendment.

(3) Major Resolutions of Board Meetings

Date	Name of Meeting	Major Resolutions	Resolution
2022.03.30	The 1st meeting of 2022	<ol style="list-style-type: none"> <li>1. The Company's 2021 business report, financial statements, and consolidated financial statements.</li> <li>2. The Company's 2021 Self-Assessment and Statement of Internal Control System.</li> <li>3. The Company's 2021 proposal for distribution of employee and director/supervisor remunerations.</li> <li>4. The Company's 2021 proposal for distribution of earnings.</li> <li>5. The time, venue, and agenda items of the 2022 Shareholders' Meeting.</li> <li>6. Discussion on the Company's loaning of funds to subsidiary Hong Kong Unique Grand Limited.</li> <li>7. Change in the Company's finance supervisor who is also the acting spokesperson and change in accounting supervisor.</li> <li>8. Dismissal of the Company's manager.</li> <li>9. The Company's application for credit extension with Mega Bills Finance Sanchong Branch for business purpose.</li> <li>10. The Company's regular evaluation of the independence of CPAs.</li> <li>11. Partial amendment to the Company's "Articles of Incorporation".</li> <li>12. Discussion on the partial amendments to the Company's "Procedure for the Acquisition or Disposal of Assets".</li> <li>13. The Company's establishment of Intellectual Property Management Procedure.</li> </ol>	<p>◎ Independent Director: No opinions at this meeting.</p> <p>◎ Passed as proposed without objection from directors present in the meeting. (Except for Agenda 11, in which articles were resolved to remain unchanged)</p>

Date	Name of Meeting	Major Resolutions	Resolution
2022.05.06	The 2nd meeting of 2022	<ol style="list-style-type: none"> <li>1. Discussion on the partial amendments to the Company's "Standard Operating Procedures for Handling the Requests of Directors".</li> <li>2. Discussion on the Company's loaning of funds to subsidiary Hong Kong Unique Grand Limited.</li> <li>3. Discussion on the Company's application for credit extension with First Commercial Bank for business purpose.</li> <li>4. Discussion on the Company's application for credit extension with Export-Import Bank of the Republic of China for business purpose.</li> </ol>	<p>⊙ Independent Director: No opinions at this meeting.</p> <p>⊙ Passed as proposed without objection from directors present in the meeting.</p>
2022.06.24	The 3rd meeting of 2022	<ol style="list-style-type: none"> <li>1. The baseline date and date for the 2021 distribution of earnings as cash and stock.</li> <li>2. Discussion on the Company's participation in the capital increase by debt-to-equity method of the subsidiary Hong Kong Unique Grand Limited.</li> </ol>	<p>⊙ Independent Director: No opinions at this meeting.</p> <p>⊙ Passed as proposed without objection from directors present in the meeting.</p>
2022.08.05	The 4th meeting of 2022	<ol style="list-style-type: none"> <li>1. The Company's extension of period of endorsement and guarantee provided to subsidiaries.</li> <li>2. Discussion on the Company's extension of the period of endorsement and guarantee provided to the sub-subsidiary L&amp;K Engineering (Vietnam) Co., Ltd.</li> <li>3. Discussion on the amendments to the Company's "CC100 Handling and Controlling Measures for Electronic Computers."</li> <li>4. Discussion on the Company's application for credit extension with various financial institutions for business purpose.</li> </ol>	<p>⊙ Independent Director: No opinions at this meeting.</p> <p>⊙ Passed as proposed without objection from directors present in the meeting.</p>
2022.11.04	The 5th meeting of 2022	<ol style="list-style-type: none"> <li>1. Discussion on the Company's 2023 Business Plan.</li> <li>2. Discussion on the Company's 2023 Audit Plan.</li> <li>3. Discussion on the Company's extension of period of endorsement and guarantee provided to subsidiary RSEA Engineering Corporation privatized 2009</li> <li>4. Discussion on the Company's application for credit extension with various financial institutions for business purpose.</li> <li>5. Discussion on the Company's 2021 remuneration distribution proposal for managers and employees.</li> <li>6. Partial amendment to the Company's "Rules of Procedure for Board of Directors Meeting".</li> </ol>	<p>⊙ Independent Director: No opinions at this meeting.</p> <p>⊙ Passed as proposed without objection from directors present in the meeting.</p>



Date	Name of Meeting	Major Resolutions	Resolution
2023.03.10	The 1th meeting of 2023	<ol style="list-style-type: none"> <li>1. The Company's 2022 business report, financial statements, and consolidated financial statements.</li> <li>2. The Company's 2021 Self-Assessment and Statement of Internal Control System.</li> <li>3. The Company's 2021 proposal for distribution of employee and director/supervisor remunerations.</li> <li>4. The Company's 2021 proposal for distribution of earnings.</li> <li>5. The time, venue, and agenda items of the 2023 Shareholders' Meeting.</li> <li>6. Discussion on the Company's loaning of funds to subsidiary Hong Kong Unique Grand Limited.</li> <li>7. Discussion on the proposal from the Company and its Singapore branch to apply for a line of credit from the United Overseas Bank Limited, Taipei Branch (Singapore) and the United Overseas Bank Limited due to operating needs.</li> <li>8. Discussion on the Company's application for credit extension with First Bank for business purpose.</li> <li>9. The Company's regular evaluation of the independence of CPAs</li> <li>10. Discussion on the proposal for partial amendment of the Company's "Management Procedures for the Internal Processing of Important Information and Prevention of Insider Trading."</li> <li>11. Discussion on the proposal for donating a proportion of our earnings to St. John's University for the delivery of education and promote industry-academia cooperation to cultivate talent, support the sustainable development and fulfill the corporate social responsibility of the Company.</li> </ol>	<p>⊙ Independent Director: No opinions at this meeting.</p> <p>⊙ Passed as proposed without objection from directors present in the meeting.</p>
2023.03.22	The 2st meeting of 2023	<ol style="list-style-type: none"> <li>1. Discussion on the proposal for donating a proportion of our earnings to St. John's University for the delivery of education and promote industry-academia cooperation to cultivate talent, support the sustainable development and fulfill the corporate social responsibility of the Company.</li> </ol>	<p>⊙ Independent Director: No opinions at this meeting.</p> <p>⊙ Passed as proposed without objection from directors present in the meeting.</p>

(X) Major issues of record or written statements made by any director dissenting to major resolutions passed by the board of directors during the most recent year and as of the date of this annual report: Except for the 2022/3/30 Agenda 11 in which articles were resolved to remain unchanged, the remaining resolutions were all passed as proposed without objections from directors present in the meeting.

- (XI) Summary of resignations and dismissals, during the most recent fiscal year and as of the date of publication of this annual report, of the company's chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governa

Title	Name	Date of Assumption of Office	Date of Resignation / Dismissal	Reason for Resignation or Dismissal
Accounting and Finance Supervisor	Li-Tsun Huang	2021/3/5	2022/3/31	Resigned

v. Information on CPA Professional Fees

(I) Range of Professional Fees to CPA:

Unit: NT\$ 1,000

Accounting Firm Name	Name of Accountant	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remarks
L.H. Chen & Co., CPAs	Tseng-Kuo Huang	2022.01.01~2022.12.31	\$3,000	\$180	\$3,180	-
	Chih-Jou Tai					

Details of Information Regarding CPA Non-Audit Fee

Unit: NT\$ 1,000

System Design	Company Registration	Human Resources	Others	Subtotal
\$130	\$-	\$50	-	\$180

- (II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: N/A.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by ten percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: N/A.

vi. Information on Replacement of CPA: None.

vii. Where the company's chairman, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

- viii. Any transfer of equity interests and pledge of or change in equity interests by a director, manager, and shareholder holding more than ten percent during the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report:

(I) Changes in Shareholding

Title	Name	2022		Up to end of 2023/4/28	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Director	Shen Shen Investment Co., Ltd.	—	—	—	—
Chairman	Shen Shen Investment Co., Ltd. Representative: Chu-Shiang Yao	—	—	—	—
Director	White Young Investment Co., Ltd. Representative: Chih-Hsun Yao	—	—	—	—
Director	Xun Huei Investment Co., Ltd. Representative: Chung-Cheng Lo	—	5,400,000 (5,400,000)	—	—
Director	Wei Ze Investment Co., Ltd. Representative: Bor-Jen Chen	—	4,400,000	—	—
Director	Tze-Hung Wang	—	—	—	—
Independent Director	Chien-Jan Lee	—	—	—	—
Independent Director	Tung-Hao Ho	—	—	—	—
Independent Director	Cho-Lan Peng	—	—	—	—
President	Hsiao-Ling Chiang	—	—	—	—
Executive Vice President	Min-Kui Hsu	—	—	—	—
Finance Supervisor	Shu-Chen Chen	—	—	—	—
Vice President	Kuei-Yao, Yeh	—	—	—	—
Vice President	Ying-Te Liu	—	—	—	—
Chief Auditor	Fang-Man Peng	—	—	—	—
Corporate Governance Officer	Shu-Ling Ko	—	—	(6,000)	—
Accounting Supervisor	Ya-Lin Chan	—	—	—	—

Note1. Shu-Chen Chen was appointed as Finance Supervisor on 2022/4/1.

Note2. Ya-Lin Chan was appointed as Accounting Supervisor on 2022/4/1.

- (I) Information of equity transfer: None in which the counterparty in any such transfer of equity interests is a related party.
- (II) Information of equity pledge: None in which the counterparty in any such pledge of equity interests is a related party.

ix. Relationship information, if among the company's ten largest shareholders any one is a related party or a relative within the second degree of kinship of another:

2023/4/28

Name	Shares Held by Themselves		Shares Held by Spouse & Minors		Total Shares Held Through Nominees		Names and the relationship among the top ten shareholders in the relationship of related parties or spouses, blood relatives within the second degree of kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Shen Shen Investment Co., Ltd. (Representative: Chu-Shiang Yao)	23,855,522	10.57%	-	-	-	-	Shen Huei/ Yu-Hua Chao	Note 1	-
White Young Investment Co., Ltd. (Representative: Yu-Hua Chao )	13,755,701	6.09%	-	-	-	-	Chu-Shiang Yao/ Yu-Hua Chao/ Shen Huei	-	-
Xun Huei Investment Co., Ltd. (Representative: Yu-Hua Chao )	11,224,763	4.98%	-	-	-	-	Chu-Shiang Yao/ Yu-Hua Chao/ Shen Huei	-	-
Wei Ze Investment Co., Ltd. (Representative: Chih-Hsun Yao)	8,834,139	3.92%	23,000	0.01%	-	-	Chu-Shiang Yao/ Yu-Hua Chao/ Shen Huei	-	-
Citibank Taiwan as custodian of Capital Union Bank Ltd. Investment Account	7,298,299	3.24%	-	-	-	-	—	-	-
Chu-Shiang Yao	6,358,013	2.82%	3,206,778	1.42%	-	-	Shen Shen/ Shen Huei/ Yu-Hua Chao	Note 1	-

Name	Shares Held by Themselves		Shares Held by Spouse & Minors		Total Shares Held Through Nominees		Names and the relationship among the top ten shareholders in the relationship of related parties or spouses, blood relatives within the second degree of kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
The Dunhua North Branch of Standard Chartered International Commercial Bank as custodian of KGI Capital Asia Limited Investment Account	6,085,911	2.70%	—	—	—	—	—	-	-
Shen Huei Investment Co., Ltd.	5,491,814	2.58%	—	—	—	—	Shen Shen/ Chu-Shiang Yao/ Yu-Hua Chao	Note 1	-
Yu-Hua Chao	3,206,778	1.42%	6,358,013	2.82%	—	—	Shen Shen/ Chu-Shiang Yao	Note 1	-
Citibank as custodian of Polunin Emerging Market Fund Company Account	3,171,000	1.41%	—	—	—	—	—	-	-

Note 1: Company representatives are spouses.

- x. The total number of shares and total equity stake held in any single enterprise by the company, its directors managers, and any companies controlled either directly or indirectly by the company:

2022/12/31

Invested Business (Note)	Investment by the Company		Investment by Directors, Supervisors, Managers, and Directly or Indirectly Controlled Businesses		Total Investment	
	Shares (thousands)	%	Shares (thousands)	%	Shares (thousands)	%
L&K Engineering Co., Ltd. (BVI)	—	100.00%	—	—	—	100.00%
L&K Engineering (SUZHOU) Co., Ltd.	115,200	53.99%	—	—	115,200	53.99%
RSEA Construction Engineering (Chongqing) Co., Ltd.	—	—	—	100.00%	—	53.99%
L&K Engineering Vietnam Co., Ltd.	—	—	—	51.00%	—	51.00%
RSEA Engineering Corporation privatized 2009	270,047	83.65%	—	—	270,047	83.65%
Unique Grand Limited	—	51.71%	—	26.07%	—	77.78%
Formosa Medical Devices, Inc.	4,904	40.88%	—	—	4,904	40.88%
L&K Engineering Company Limited	—	—	—	100.00%	—	53.99%
Suzhou Xiang Sheng Trade Company Ltd.	—	—	—	100.00%	—	53.99%
Suzhou Xiangxin Fire- Fighting Engineering Co., Ltd.	—	—	—	100.00%	—	53.99%
Sunshine (China) Inc.	—	—	—	100.00%	—	77.78%
Sunshine Investment Co., Ltd.	—	—	—	100.00%	—	77.78%

Note1: Long-term investments recognized under the equity method.

L&K Engineering Co., Ltd.  
Statement of Internal Control System

Date: 2023/3/10

Based on the findings of a self-assessment, L&K Engineering Co., Ltd. states the following with regard to its internal control system during the year 2022:

- i. The Company acknowledges that the establishment, implementation, and maintenance of internal control system are the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system aims to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance, and safeguarding of assets), the reliability, timeliness, transparency, and regulatory compliance of reporting, and the compliance with applicable laws, regulations, and bylaws are achieved.
- ii. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- iii. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” (herein below, the “Regulations”). The criteria adopted by the Regulations divide internal control into five components in line with the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component also contains several criteria. Please refer to the "Regulations" for details.
- iv. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- v. Based on the findings of such evaluation, the Company believes that on 2022/12/31, the design and implementation of its internal control system, consisting of the effectiveness and efficiency of business operations, reporting that encompass reliability, timeliness, transparency, or other terms as set forth by regulators, and compliance with applicable laws and regulations, are effective and reasonably assure the achievement of the aforementioned goals.
- vi. This Statement constitutes part of the Company’s annual report and prospectus, and shall be disclosed to the public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- vii. This Statement has been passed by the Board of Directors in their meeting held on 2023/3/10 with 0 of the 8 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

L&K Engineering Co., Ltd.

Chairman: Chu-Shiang Yao

President: Hsiao-Ling Chiang



#### IV. Capital Overview

##### i. Capital and Shares

##### (I) Sources of Capital

##### 1. Capitalization

Unit: Thousand shares; NT\$1,000

Year/Month/Day	Issue Price (NT\$)	Authorized Share Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
Until 2023/4/28	10	350,000	3,500,000	225,541	2,255,409	-	-	-

##### 2. Type of Stock

Unit: Thousand shares

Unit: Thousand shares

Share Type	Authorized Share Capital					Remarks
	Issued Shares			Un-issued Shares	Total	
	Listed	Non- listed	Total			
Registered Common Stock	225,541	—	225,541	124,459	350,000	Shares of listed company

##### 3. Shelf registration: None.

##### (II) Shareholder Structure

2023/4/28

Shareholder Structure Quantity	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions & corporate persons	Total
Number of Shareholders	0	2	46	13,602	143	13,793
Number of shares held	0	1,066,000	66,459,779	103,035,417	54,979,733	225,540,929
%	0.00%	0.47%	29.47%	45.68%	24.38%	100.00%

## (III) Diffusion of Ownership

2023/4/28

Shareholder Ownership	Number of Shareholders	Number of shares held	%
1-999	2,252	417,723	0.19%
1,000-5,000	8,867	18,750,184	8.31%
5,001-10,000	1,323	10,595,127	4.70%
10,001-15,000	420	5,394,412	2.39%
15,001-20,000	264	4,953,874	2.20%
20,001-30,000	223	5,827,107	2.58%
30,001-40,000	92	3,338,538	1.48%
40,001-50,000	63	2,954,558	1.31%
50,001-100,000	126	9,045,682	4.01%
100,001-200,000	66	9,563,906	4.24%
200,001-400,000	35	10,297,447	4.57%
400,001-600,000	16	7,989,493	3.54%
600,001-800,000	7	4,945,850	2.19%
800,001-1,000,000	11	9,998,607	4.43%
1,000,001 or more	28	121,468,421	53.86%
Total	13,793	225,540,929	100.00%

Note: The Company did not issue preferred shares.

## (IV) List of Major Shareholders

Name, shareholding, and shareholding percentage of shareholders with a stake of five percent or greater, or shareholders who rank in the top ten in shareholding percentage.

2023/4/28

Name of Major Shareholder	Share	Number of shares held	%
Shen Shen Investment Co., Ltd.		23,855,522	10.57%
White Young Investment Co., Ltd.		13,755,701	6.09%
Xun Huei Investment Co., Ltd.		11,224,763	4.98%
Wei Ze Investment Co., Ltd.		8,834,139	3.92%
Citibank Taiwan as custodian of Capital Union Bank Ltd. Investment Account		7,298,299	3.24%
Chu-Shiang Yao		6,358,013	2.82%
The Dunhua North Branch of Standard Chartered International Commercial Bank as custodian of KGI Capital Asia Limited Investment Account		6,085,911	2.70%
Shen Huei Investment Co., Ltd.		5,815,814	2.58%
Yu-Hua Chao		3,206,778	1.42%
Citibank as custodian of Polunin Emerging Market Fund Company Account		3,171,000	1.41%

(V) Share prices for the past two fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information

Item \ Year		2021	2022	As of 2023/3/31 (Note 8)
Market Price per Share (Note 1)	Highest	35.55	39.50	49.75
	Lowest	24.20	28.20	36.60
	Average	30.23	31.50	43.64
Net Worth per Share (Note 2)	Before Distribution	34.56	38.55	40.07
	After Distribution	33.06	-	-
Earnings per Share (Note 3)	Weighted Average No. of Shares	225,540,929	225,540,929	225,540,929
	Earnings per Share	1.43	4.43	1.42
Per Share Dividend	Cash Dividend	1.50	-	-
	Stock Dividend	Earnings Distribution	-	-
		Capital Distribution	-	-
	Accumulated Undistributed Dividend (Note 4)		-	-
Return on Investment Analysis	Price/Earnings Ratio (Note 5)		21.14	7.11
	Price/Dividend Ratio (Note 6)		20.15	-
	Cash Dividend Yield (Note 7)		0.05	-

Note 1: The highest and lowest market prices for the year should be listed. Average market share price should be calculated by applying the transaction value and the total transaction volume for the year.

Note 2: Please use the number of the issuing shares at the end of the year as the base with the distribution decision resolved at the board meeting or shareholders' meeting held in the following year.

Note 3: For retroactive adjustment made for stock dividends, both before and adjustments earnings per share should be disclosed.

Note 4: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the current year, for receiving in an earning-generating fiscal year, the accumulated unpaid amount shall be disclosed.

Note 5: Price/Earnings Ratio = Average share market price / earnings per share.

Note 6: Price/Dividend Ratio = Average market price / cash dividends per share.

Note 7: Cash Dividend Yield = Cash dividends per share / average share market price.

Note 8: Net worth per share and earnings per share audited (reviewed) by CPA in the last quarter up to the publication of this annual report should be disclosed; information for the current year until the publication date of this annual report should be disclosed in the remaining fields.

(VI) Dividend policy and Execution

1. Dividend policy established in the Articles of Incorporation

According to Article 32 of the Company's Articles of Incorporation: The Dividend policy established in 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. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses.

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.

Article 32-1: 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.

In addition, according to Article 33 of the Company's Articles of Incorporation: 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.

2. Distribution of dividend proposed in the current shareholders' meeting

The Company's paid-in capital at the end of 2022 was NT\$2,255,409,290; a total of 225,540,929 shares were issued, and cash dividend at NT\$3.5 per share is expected to be distributed, totaling NT\$789,393,252.

(VII) Impact upon Business Performance and EPS Resulting from Non-Remunerative Share Allotment Made at the Recent Shareholders' Meeting: N/A.

Item		Year	2023 (Estimate)
Paid-in capital at the beginning of the period			2,255,409,290
Status of distribution of shares and dividends for the current year	Cash dividend per share (NT\$)		3.5
	Number of shares distributed for each share in earned surplus turned capital increase (shares)		-
	Number of shares distributed for each share in capital reserve turned capital increase (shares)		-
Status of change of operating performance	Operating profits		-
	Increase (decrease) ratio of operating profits compared to the same period last year		-
	After-tax net profit		-
	Increase (decrease) ratio of after-tax net earnings compared to the same period last year		-
	Earnings per Share		-
	Increase (decrease) ratio of earnings per share compared to the same period last year		-
	Average annual rate of return (counting average annual P/E ratio in reverse)		-
Projected earnings per share	If earned surplus-turned capital increase is completely replaced by distribution of cash dividends	Projected earnings per share (NT\$)	-
		Projected average annual rate of return	-
	If capital reserve-turned capital increase is not conducted	Projected earnings per share (NT\$)	-
		Projected average annual rate of return	-
	If capital reserve-turned capital increase is not conducted and earned surplus-turned capital increase is distributed in cash dividend instead	Projected earnings per share (NT\$)	-
		Projected average annual rate of return	-

(VIII) Remuneration of employees and directors:

- Percentages or ranges of remuneration of employees and directors under the Articles of Incorporation:  
For details, see Dividend policy established in the Articles of Incorporation on Page 103 of this Annual Report.
- Basis for estimating the amount of remuneration of employees and directors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:
  - Basis for estimating the amount of remuneration of employees and directors:  
In accordance with the Company Act and the Jin-Guan-Zheng-Shan Letter No. 1050001900 issued by the Financial Supervisory Commission on

2016/1/30, the basis for estimating the amount of remuneration of employees and directors is the profit of the current year (i.e., pre-tax profit remaining before employee and director remunerations are deducted). Pre-tax profit takes into consideration the income tax of a profitable business and the balance after provision for 10% statutory surplus reserve and is then separately estimated according to the Articles of Incorporation.

- (2). Basis for calculating the number of shares to be distributed as employee remuneration:

The Company does not expect to distribute stock as employee remuneration for the current period.

- (3). When the actual distributed amount and method of distribution as per the resolution of the Shareholders' Meeting differ from the estimated amount and method of estimation, this discrepancy is recognized as profit and loss adjustment for the year in the resolution of the Shareholders' Meeting.

3. Remuneration proposals passed by the board of directors:

- (1). Employee remuneration distributed in the form of cash or stock - NT\$53,839,223 in cash.
- (2). Director remuneration distributed in the form of cash or stock - NT\$26,919,612 in cash.
- (3). Amount of employee remuneration distributed in the form of stocks, as a percentage of the net income after taxes provided in the standalone or consolidated financial statements of the current period, and as a percentage of total employee remuneration: N/A.

4. Distribution of remuneration of employees and directors in previous year:

Item	Originally Proposed at the Board Meeting	Actually Distributed
Employee remuneration - Cash	NT\$15,941,528	NT\$15,941,528
Director remuneration	NT\$7,970,764	NT\$7,970,764

- (IX) Buyback of the Company's Common Stock:

The Company did not buy back its shares in recent years and up to the publication date of this annual report.

- ii. Issuance of Corporate Bonds: None.
- iii. Status of Preferred Shares: None.
- iv. Status of Global Depositary Receipts: None.
- v. Status of Employee Stock Options: None.
- vi. Status of New Share Issuance in Connection with Mergers and Acquisitions: None.
- vii. Financing Plans and Implementation: None.

## V. Operational Highlights

### i. Business Activities

#### (I) Business Scope

##### 1. Main Business Activities of the Company

The Company and its subsidiaries are mainly involved in the design and construction of biochemical cleanrooms, cleanrooms for electronic industries, and relevant M&E and process plumbing systems.

##### 2. Business Distribution

Product Items	Business Distribution
Cleanroom projects	15.09%
Process plumbing projects	5.24%
M&E projects	11.69%
Others (including turnkey projects)	67.98%

##### 3. Current Products and Services

The main business activities of the Company include the design and construction of biochemical cleanrooms, cleanrooms for electronic industries, and relevant M&E and process plumbing systems, as well as old factory reconstructions with expertise in turnkey projects (the general responsibility being contracting overall system projects from design, construction, testing, to verification).

The scope of industries we serve includes: construction, optoelectronics manufacturing plants, semiconductor manufacturing plants, hospitals, biopharmaceuticals, business buildings, residential buildings, chemical plants, solar-energy materials manufacturing plants, solar power plants and improvements of energy saving. L&K Engineering provides services to all of the above.

##### 4. Products planned for development

Building Information Modelling (BIM) is applied in the whole life cycle of construction projects, from design, construction, operation to maintenance. This management concept has become the trend in the industry. With the technology of BIM, project teams are able to discover issues at an early stage through 3D modelling, which saves significant amount of time and money spent of amendments and re-construction.

The Company has introduced BIM in 2010. In addition, the Company sets an ad-hoc team for BIM development, which devotes itself to the development and application of BIM in practice.

The main benefit of applying BIM in construction sites is that it serves as an auxiliary tool in the management and progressing of construction, which helps to ensure the quality of construction, keep track of constructions and fulfill life cycle of architecture (LCA), energy control and operation.

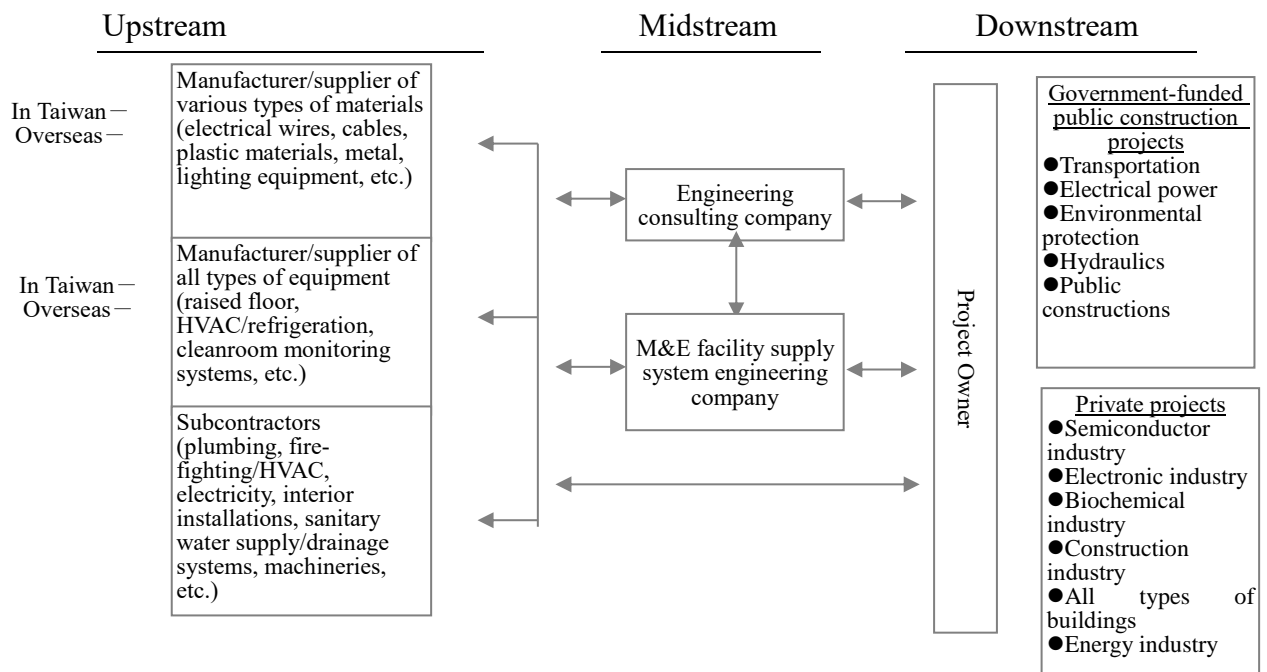
## (II) Industry Overview

### 1. Current Status and Development of the Industry

Industrial engineering is a fundamental industry involving the integrated application of civil, building, M&E, HVAC, and fire-fighting systems that is evolving rapidly in response to the development and revolution of different industries. Taiwan's economy and industries have underwent rigorous transformation and development over the past decade. Traditional industries are slowly transforming into high-tech industries, giving rise to other industries associated with them such as electronic, communications, biotechnology, and healthcare. The industrial engineering industry happened upon this opportunity and subsequently, thanks to information and Internet technologies under the growing impact of high-tech industries and global informatization, it was able to quickly access a vast range of information on the industry's supply chain, further accelerating the internationalization of the construction industry, which contributed to the prosperity in the technological development of Taiwan's industrial engineering and facilitated the global synchronization of this industry.

### 2. Relationships with suppliers in the industry's supply chain

The engineering service sector involving industrial M&E facilities integrated with supply systems, plays a role in between a project owner, manufacturers and suppliers of construction materials and equipment, project subcontractors, the labor market, and its peripheral service sectors. Specifically, this service sector combines the engineering technologies of different professional fields based on the construction requirements of project owner, to provide clients with integrated engineering services such as whole-plant M&E construction, cleanroom turnkey contracting services, or the establishment of M&E system architectures. In other words, it provides an operating environment that is fully capable of meeting a project owner's production needs. The relationship among up/mid/downstream suppliers is illustrated below.





### 3. Development trends and competition relating to products

With the trend of global informatization, 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, 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. The future development of clean room and MEP engineering is still prosperous.

Industrial engineering is the foundation facilitating human civilization and the advancement of different industries. As knowledge and intelligence continuously evolve, the industrial engineering market is ever-changing so that keeping pace with market changes and further expanding the development potential of industrial engineering are the only ways to survive and grow under a market mechanism that is defined by survival of the fittest.

Because industrial engineering companies around the world are competing fiercely against one another, the enhancement of the economies of scale and efficiency is their key success factor. The sound development of components in industrial engineering and the adoption of professional technologies are the only proper course of action for expanding engineering businesses and creating business opportunities.

Based on the types of competition within the engineering industry, the ability to quickly access raw material sources and provide clients with customized, efficient, and the most advanced engineering services is the key to establishing a leading status in the industry. In light of this phenomenon, the Company continues to engage in the development and production of new products. Additionally, we conduct extensive research on energy-saving and disaster prevention systems, with a particular focus on system compatibility, to meet the needs for whole-plane system integration.

After years of cultivation in the field of industrial engineering, L&K realized the fundamental definition of running a construction business, the attribute of which is a highly sophisticated and complex technological management service system. Reputation building and market evaluation are knowledge that best demonstrate our competitiveness and is vital to providing a comprehensive range of integrative engineering management services (i.e., planning, design, manufacturing, installation, testing, verification, and repair/maintenance), provided that excellent engineering quality and advanced technologies are ensured. Our exceptional performance in real-life practices is a testament to the industrial competitiveness of L&K Engineering.

### (III) Technology and R&D Overview

#### 1. R&D expenditure in recent year and this year:

Unit: NT\$ 1,000

Item	2022	Up to end of 2023/3/31
R&D Expenses	\$137,234	\$39,083

#### 2. Technologies or products successfully developed in recent year: See Page 5 of this Annual Report.

### (IV) Long- and short-term business development plans

#### 1. Short-term business development plans

##### (1). Reduce construction cost, ensure cleanroom construction quality, and increase competitiveness

Project cost management has a direct influence on business profit. The planning, coordination, and monitoring of the technologies, methods, and management practices used during project implementation and of expense spending and resource utilization can effectively control the consumption of resources in construction cost. For this reason, unnecessary losses can be effectively avoided by strengthening the abilities to conduct project pre-planning and reach pre-work consensus and carrying out regular project inspection and budget control. In recent years, changes in the external environment have led to a shortage of material supply and labor forces, exerting a direct impact on project progress and construction quality, which in turn caused annual increase in project management costs. To improve this problem, a subcontracting management model, in which the design and planning operations of business partners are supervised, is adopted internally to disperse risks, thereby achieving efficient monitoring, increased efficiency, and lower cost. The Company actively develops standard operating procedures for cleanroom construction and quality inspection. The main purpose of these procedures is to check and confirm works in a construction process, and to identify problems and address them immediately. Such procedures can not only greatly shorten a project schedule but also ensure the quality of the constructed cleanroom, effectively reduce construction costs, and simultaneously improve the competitiveness of the company.

##### (2). Improve our ability to diagnose technical problems

The Company plans to leverage the project experiences of its management team, cooperate with major universities and research institutes, extensively use consulting networks and information channels in Taiwan and overseas, conduct theoretical analysis of construction or testing/verification data, and produce the most precise judgment and fastest response based on the analysis results.

##### (3). Cultivate outstanding talents who can be the best service providers in the market

In a fiercely competitive market environment, the use of human resources must be adjusted and adapted to a changing industrial structure. Talent cultivation and training programs must be redesigned and reconstructed with flexibility and adaptability. The Company hopes to implement a career blue print that provides comprehensive training, accurate evaluation mechanisms, and effective incentives, which in turn boost teamwork, increase employee participation, and reduce employee turnover, thereby facilitating stronger organizational functionality and bolstering the

company's core competitiveness.

"People" are the main pillars of industrial engineering. To secure competitive advantages in an industry, engineers must be able to learn quickly and constantly and apply knowledge and innovative technologies. Given its future business directions, the Company will actively cultivate skilled technicians who will create maximum benefit and be the best service provider in the engineering market.

(4). Construct an Engineering Intelligence Center

Data form the foundation of all applications. L&K has spent decades building up a project database in its electronic project management system (e-POMS). The Company will therefore continue to promote the integration and evaluation of project information and data, assist project developers and supervisors to keep track of the operating status and operations of various projects, and improve management efficiency and operational performance. Recently, the Company has made plans to reorganize its existing ERP systems and construct an intelligence center in line with the diverse direction of the group's business development.

(5). Strengthen price and payment collection management for clients

Being able to collect receivables as scheduled is the key to ensuring the normal and steady operation of a construction company. If payments cannot be collected quickly and as planned due to a client's malicious refusal to pay, payment extension, or bad debts, the company may fail to achieve its business goals, resulting in significant financial loss or impact on its cash flow. The Company will improve its early warning systems against client's credit risk, and cultivate and strengthen our project managers and financial personnel's sensitivity toward and their abilities to monitor, analyze, and predict account receivables. In doing so, we hope to reduce the operational risk resulting from unexpected delays in account receivables, limit unnecessary loss from bad debts, and in turn increase the company's profitability and competitiveness.

2. Mid- and long-term business development plans

(1). Seize opportunities in overseas engineering market

To increase our market share, the Company will not only continue to expand its local businesses, but also actively develop the international market by adding more business locations overseas. Given the current market competitiveness and the necessity to develop new markets, the Company will recruit talented engineers from Singapore and mainland China and invest competitive labor resources in overseas engineering markets.

(2). Develop new products and new construction methods to increase technological level and expand the scope of market applications

Customers are demanding for better engineering quality as they constantly upgrade products in response to changes in market demands. L&K Engineering is committed to producing superior quality and meeting customer needs in the shortest time possible. To fulfill this commitment, the Company will continue to invest in the development of new products and methods, train engineers, increase its engineering technology level, and subsequently create a niche market that is characterized by a broader scope of market application.

## ii. Market and Sales Overview

### (I) Market Analysis

#### 1. Locations where products (services) are mainly sold (provided):

L&K Engineering initially started off as a provider of cleanroom construction service, slowly developing into a provider of EPC services. Specifically, the Company takes into consideration a client's actual needs and devises construction plans accordingly. This customer-oriented concept of "customization" eventually became the company's main strategic approach to market management.

In recent years, customers involved in high-tech plant construction have invested most of their human resources in product manufacturing-related departments, while considering the need to lower costs on a yearly basis. Moreover, there is a growing shortage every year of system operators that support the operation of manufacturing facilities. Therefore, L&K has in recent years undertaken a number of turnkey construction projects and forged a longstanding cooperative relationship with customers in after-sales services and operations.

To strive for the promotion and communication of turnkey businesses, we must help customers to learn the benefits of a turnkey project: The prerequisite for a successful turnkey operation is to improve planning, design, and project management. Turnkey contractors must increase project personnel costs. However, customers must understand the high-quality services that turnkey contractors can provide with respect to construction schedule control, interfacial coordination, and construction quality control. Initial and operation costs proposed during the bidding process must be analyzed and compared to show project owners that the long-term operating cost and the labor cost of plant construction are considerably higher than the management cost added to a turnkey contract. With this understanding, project owners will then be willing to use the customized turnkey services provided by L&K Engineering.

#### 2. Market Share Analysis:

Since 1989, L&K has invested years of robust efforts to reversing the market ecology. By integrating relevant product systems of industrially developed countries around the globe and purchasing a wide range of testing instruments and advanced equipment, the Company has achieved professional R&D and verification capabilities, becoming the most competitive company in Taiwan that partakes in the R&D and construction of cleanrooms for semiconductor and electronics industries, undertakes construction projects for high-tech and electronics industries, and has changed the local market of cleanroom constructions which was previously monopolized by foreign companies.

In 2007, the Company began extending its reach to the energy industry by investing in projects commissioned by NexPower, a company invested by UMC, and by Auria Solar Co., Ltd., a company invested by E-Ton Solar Tech Co., Ltd. In addition, L&K leverages its years of engineering experiences and professional knowledge and integrates

various systems and technologies to undertake turnkey projects that encompass a wide range of operations from design, contracting, procurement, to pilot operations. The Company has generated more than NT\$5 billion in revenue from contracts signed in 2006 and 2007, which tallies with its annual business goal, and the group has also generated over NT\$8.5 billion in revenue from contracts signed over the past few years.

The 2009 financial crisis struck worldwide, spreading its effect across all manners of life in Taiwan. High-tech industries exhibited negative growth, prompting L&K to completely halt its wafer and optoelectronic plant construction projects. Recognizing its responsibility to the society, the Company rejects the idea of layoffs and pay cuts, and insists on enduring hardship with all of its employees. Despite clients' continuous demand for lower construction cost, the Company remains committed to maintaining L&K's high-quality standards in the market while being an active participant in the biotech and pharmaceutical markets. In such mature market plagued by intense competitions, the Company leveraged its dual competitive edge in high quality and reasonable pricing, and successfully secured Orient Pharma's Huwei Science Park turnkey project. In 2010/3, L&K received the Outstanding Eco-Jobsite Award from the Environmental Protection Bureau of Yunlin County. Subsequently, in the beginning of the second quarter of 2010, the Company obtained PhytoHealth's Botanical Drug Materials Refining Plant Project, further verifying L&K as the leading constructor of biotech and pharmaceutical plants in Taiwan.

In addition to subsidiaries in mainland China and branches in Singapore, a subsidiary in Vietnam was also established in 2008. Meanwhile, the Company received an invite from Corning Taiwan to assist Corning Japan with plant construction matters in Japan, marking the start of our expansion across Asia. Under globalization, L&K aims to not only gain the highest market share in Taiwan but also strive toward becoming an international business competing against international vendors.

Since 2013, L&K has continued to secure a variety of engineering projects in the semiconductor, display, and biomedical industries: tsmc's Fab14 P7 construction; ASE Group's Zhongli Plant production line expansion; Innolux Corporation's LTPS6\_ARRAY and G8.6 CF cleanroom construction; Taiwan Apple's PTC production expansion; Pharmaessentia's GMP-certified pharmaceutical pilot plant construction; National Yang Ming Chiao Tung University Hospital's construction, renovation, and MEP turnkey project; United BioPharma's protein raw materials plant construction; Nanya Technology's FAB-3A-N cleanroom construction; Macronix's FAB5 System MEP Expansion; Taiwan Apple's LY3 plant construction; Winbond Electronics' Kaohsiung plant general MEP construction; Macronix's FAB5 BAY29&30 cleanroom construction; Macronix's Bay29&30 plant system MEP expansion construction (Phase I); tsmc's F18P4/P5/P6/P7 underground piping systems and tsmc's RD center underground piping package; tsmc's F14 P8 underground piping package; UMC's P5

HPCW expansion project; Nan Ya Printed Circuit Board Corporation's Shulin plant-cleanroom & HVAC system; UMC's FAB 12A P6 cleanroom and MEP Turnkey project; PSMC's P5-cleanroom construction project phase I (20K) Project; the design and construction of PDMC's PDMC-1D Cleanroom Expansion Project, the Singapore Branch of UMC's FAB 12i P3/P4 EPC Project, LY3 L30/L40 clean room phase 1 expansion project of Taiwan Apple, LLC, Taiwan Branch (U.S.A.), UMC's 8F Cleanroom Expansion and Utility Construction project, and Taiwan Semiconductor Manufacturing's F22P1 Underground piping package. In addition, the synergy resulting from a merger with RSEA Engineering slowly demonstrates our competitiveness in commercial building and public constructions, which is evident by the public construction projects we secured since the merge: the Construction of Chinatrust Commercial Bank New Headquarters Project - MEP & HVAC Subcontract; Railway Reconstruction Bureau's ACL212 Kaohsiung Railway Underground (Cut and Cover Construction); National Kaohsiung Center for the Arts' special equipment installation; Mercedes Benz Taiwan's Guandu AH500 Exhibition Center construction; Academia Sinica's National Biotechnology Research Park construction; the Taipei Performing Arts Center Theater professional equipment installation project as commissioned by the Second District Project Office, Department of Rapid Transit Systems, Taipei City Government; Taipei Dome Complex Large Indoor Stadium Development Project - MEP Construction; Railway Reconstruction Bureau's ACL212-1 Kaohsiung Station canopy (roof truss) construction; Taiwan Life Insurance's Taipei City Nangang District Jingmao Section land serial no.15 superficies construction. All of these abovementioned projects have successfully facilitated the Company's expansion into the industrial service sector, laying a robust foundation for our future development.

Facing an industrial supply and demand trend in the market that is ever-changing, L&K endeavors to maintain its leading industry status and keep up with the changes. By focusing on marketing strategies coupled with effective customer relations management, the Company constantly adjusts the outcome measures of its core client groups and target markets to market changes and proposes the following response measures:

- Maintain high share of the market: Expand the scale of our industrial services, reduce unit cost, and raise the group's business revenues and market shares by undertaking large contract works such as Taiwan Life Insurance's Taipei City Nangang District Jingmao Section land serial no.15 superficies construction.
- Maintain customer loyalty: Keep producing works of consistent quality and providing excellent after-sales service that make customers want to continue to support us and use our products and services; for example, the Singapore Branch of United Microelectronics Corp. still lets L&K win the bid for the FAB 12i P3/P4 EPC Project, and Taiwan Apple also lets L&K win the bid for the LY3 plant construction project because we performed outstandingly in the

construction of UMC's and Taiwan Apple's plants.

- Customer capture rate: Discover new industrial markets, and solicit new customers especially industry leaders to gain market recognition and trust.
- Customer satisfaction: Continue to develop new products based on customer needs and establish new construction techniques with our rich industry experience.
- Customer profitability: Reduce cost, shorten construction schedule, and improve production environment for increased product yield rate to show our appreciation for the customers' support, and create win-win outcomes.

### 3. Future Market Supply and Demand and Future Growth:

The outbreak of the COVID-19 epidemic has made the world realize the importance of the biotechnology industry. In order to prevent the epidemic from spreading, Taiwan has made many progress in the R&D of vaccines and test kits, and accumulated many medical and technological achievements related to epidemic prevention in a short time. However, with the research, development and launch of test kits, vaccines and medicines, people's lives gradually go back to normal, and economic activities are also booming gradually. In the biotech and pharmaceutical industries, advanced medical technologies are still being invested, and it is the trend to move from disease treatment to disease prevention.

The government has made relevant progress in the biomedical industry policy in recent years. Among them, the noteworthy one is "Regulations Governing the Application or Use of Specific Medical Techniques or Examinations, or Medical Devices" (hereinafter referred to as the "Regulations of Special Medical Techniques") enacted in 2018, which makes people have relevant regulations of the cell therapy in the field of regenerative medicine to follow.

Also, the "Act For The Development of Biotech and New Pharmaceuticals Industry" was amended in the end of 2021. The term of tax benefits is extended for 10 years, and the CDMO (Contract Development and Manufacturing Organization) industry is newly incorporated in the Act so the Act now applies to CDMO industry; the scope of "New Drug" is expanded to include new items such as New Dosage Forms, Regenerative Medicine, Digital Medicine and Innovative Technology Platforms. With the combination between these new items and Taiwan's advantage in medical technology and information and communication technology, biotech and pharmaceutical products which are more precise in curing, diagnosing and preventing diseases can be developed.

In Taiwan, biotech and pharmaceutical industries are equipped with strong upstream research capacity, world-class healthcare services, and a sound intellectual property protection system. Facing the advent of an aging society and the rise of demands from pharmaceutical markets in mainland China and other emerging Asian countries, Taiwan with its Chinese cultural background will have an excellent chance and the competitive advantage to develop its biotech and healthcare industries. The concerted effort of the government and various industrial communities will promote the industrial application of upstream R&D results and technologies, expedite the establishment and development of pharmaceutical and medical equipment R&D companies, give rise to biotech industry cluster, and create employment opportunities for high-caliber professionals, thus transforming Taiwan into a biotech R&D hub in the Asia Pacific region and establishing an international status for the country's biotech

industries.

In 2021, due to the pandemic, the development and manufacturing of biotech and pharmaceutical products in Taiwan were booming especially. The 2021 output of the biotech industry in Taiwan is NT\$666.5 billion, with the compound annual growth rate (CAGR) of 10.9%, which is the highest growth rate in the past 10 years. In the post-pandemic era, the world is still under the influence of pandemic, so the need to develop telemedicine and AI-assisted diagnosis continuously increases, which push the industry trend of cross-domain integration between information communication technologies and biotech and pharmaceutical technologies. This cross-domain integration is also going to increase the overall output of the biotech industry in Taiwan.

The promotion of commercial buildings and public constructions is the driver of domestic economic development. Because the government struggles with raising funds for public constructions, the Executive Yuan has implemented the “Economic Power-Up Plan” in which the “Promotion of Investment for Construction Implementation” was included as a key policy implementation goal. When the government lacks the budget for public constructions, private funds are actually abundantly available. In addition to encouraging private investments in the construction of commercial buildings, the government also directs private funds into public works and makes use of BOT and OT methods to complete a number of public construction projects. When the government enforces the Economic Power-Up Plan in the future, the projects will accelerate the investment of private funds to facilitate the promotion of public constructions.

By offering a comprehensive range of engineering management service that integrates biomedicine, pharmaceuticals, commercial buildings, and public constructions, L&K strives to construct high-tech facilities that meet schedule and quality requirements, abide by rigorous construction and quality control procedures, and introduce biomedicine, pharmaceuticals, commercial building, and public construction projects to create new-generation management models and novel outcomes for our clients.

#### 4. Competitive niche

##### (1). Excellent reputation

“Reputation” is the key factor for a company to sustain its business and gain customer trust. The Company prides itself on having forty-five years of experience in construction contracts and a long history of quality assurance, cooperation, and a determined attitude toward meeting customer requirements, which is why the Company has repeatedly won the trust of project owners in the domestic engineering market.

##### (2). Outstanding track record

The Company is the only contractor in Taiwan offering cleanroom construction and general MEP, HVAC, and fire-fighting installation services for 8”/12” semiconductor, optoelectronic, and biochemical industries.

The Company is one of the few engineering companies in Taiwan with records of success in construction contract works for different industry fields, both at home and abroad, such as optoelectronics, electronics, hospitals, biopharmaceuticals, and energy.



Since 1980, the Company has carried out projects involving cleanroom constructions, process system installations, interior constructions, and general M&E installations for six 8-inch and eleven 12-inch IC semiconductor fab plants, four OLED plants and twenty-five TFT-LCD plants (from generations 2.5 to 8.5), three photomask production plants, one LTPS-Array plant, and three thin-film solar cell manufacturing facilities.

In particular, the Company was also involved in turnkey projects: One eight-inch semiconductor fab plant (ProQ Technologies Incorporated (Chongqing): an eight-inch wafer factory in Xiyong Micro-electronics Industrial Park); one generation 4.5 optoelectronic factory (Sollink Optoelectronics Co., Ltd.: Longke Plant); two semiconductor/optoelectronic equipment manufacturing facilities (Tokyo Electron Limited.: headquarters in Hsinchu Science Park; Hermes Epitex Corp.: Phase II MEP/Cleanroom Project in Tainan Science Park); one semiconductor packaging/testing plant (Tong Hsing Electronic Industries, Ltd.: Electronic Area B Whole Plant Turnkey Project); one thin-film solar cell manufacturing facility (AURIA Solar Co., Ltd.: Southern Taiwan Science Park Plant Construction Project); two photomask plant turnkey (Photronics Dnp Mask Corporation: ID Plant Phase II Construction Project Photronics Semiconductor Mask Corp.: Taichung Manufacturing Facility Turnkey Project); one national healthcare biotech R&D center (National Health Research Institutes.: Vaccine R&D Center Project); and five biopharmaceutical manufacturing facilities (Orient PHARMA Co., Ltd.: Yunlin plant in Central Taiwan Science Park; PhytoHealth Corporation: Yang Mei Plant Turnkey Project; HWANG'S Pharmaceutical Co., Ltd.: PIC/S GMP fab cleanroom expansion and renovation turnkey project; Synpac-Kingdom Pharmaceutical Co., Ltd.: Luzhu PIC/S Fab for Ophthalmic Preparations Turnkey Project; United BioPharma Inc.: Protein Plant Design, Planning, and Construction Turnkey Project).

Based on the Company's track records, we have completed the construction of 3,412,800 square meters of cleanrooms (as of 2022/12) and seven manufacturing facilities totaling 240,390 square meters in area. The Company has also completed a single contracted project with a value of ten billion New Taiwan Dollar and a total floor area of 153,390 square meters. The above achievements indicate that L&K has years of construction contract experiences in all types of industries, and these experiences are conducive to the development and expansion of the Company's businesses in the future.

- (3). Enhance internal organization, strengthen the group's vertical and horizontal cooperation, and increase our flexibility in different market operations

Our internal administration system is based primarily on a rigorous division of labor framework, in which the project organization allows for flexible labor allocation through the group's mutual technical support to facilitate the organization's effective use of human capital. Information systems are integrated to enable resource sharing and achieve simple operating procedures, thereby maximizing the benefits of overall applications to collectively attain business goals. Regarding the company's organizational development, we will reinforce the formation of a team of legal experts in engineering laws and strengthen their legal practices and knowledge management. In the future, we will adopt preventive measures in our engineering management to ensure a proactive legal management that would reduce the risks of legal disputes and litigations. Furthermore, documentation control will be enforced systematically on a daily basis to reserve effective resources in case of legal disputes in the future and to serve as an effective

measure for safeguarding the company's interests.

The Company is proud to have a team of well-rounded, experienced engineers, led by supervisors of various core departments all of whom have more than 20 years of experience in construction contract works. Our other system designers and project managers are also characterized by years of experience in cleanroom construction. In addition, the Company has long placed emphasis on the cultivation of engineers and continued to organize training programs to hone their techniques, impart knowledge, and share experiences, thereby bolstering the company's competitiveness.

(4). Improve methodology and establish standard operating procedures

Engineering is the application of science, in which different types of knowledge are combined to form techniques through continual innovation and development. The Company constantly learns and integrates the advanced technologies of various countries, applies them to cleanroom construction, and blends and integrates the experiences gained into the essence of the Company's technology. Furthermore, the Company continues to develop new techniques and innovative technologies and establishes standard operating procedures and process systems to ensure that our engineering techniques can produce works of the highest quality and efficiency.

(5). Access to key technologies

The Company is one of the few engineering companies in Taiwan to offer a complete range of engineering services from self-planning, design, manufacturing, installation, testing, verification to repair and maintenance. A comprehensive service can fully satisfy the different engineering requirements of project owners. Because the technologies used in each process are closely linked to each other, the integration of these engineering service procedures is conducive to determining the future service trends and enables engineering services to be reviewed and developed into technologies for market management.

The Company persists in innovation and verification, conducts self-reflection and integration with international resources, provides advanced engineering services, continues to be the industry leader, and realizes its ideology.

"People" are the source of future industrial engineering structures and resources and the power of knowledge-based economy. A company and its employees form a community. The pursuit for truth, benefits, and the effective establishment of a harmonious group personality are the foundation underpinning corporate sustainable development.

L&K has learned to grow in its first 25 years of establishment and continued to ferment in the second 25 years. The Company's emphasis on employees' education and their passion for work is deep-rooted in its corporate culture. To be loyal, perceive the importance of loyalty, and survive in a fiercely competitive international market, L&K employees must recognize the inevitability of becoming an international engineer. They share the vision of learning from the best international engineers, developing ways to manage the "new" operating environment, and being fully prepared to embrace the challenges and impacts of different eras.

Since its transformation from a traditional M&E company into an EPC contractor, L&K Engineering became the force promoting the development of

cleanroom industries in Taiwan, during which the Company has continuously created novel concepts, demonstrated great ambitions, and adopted technologies. The Company envisions building a world-class engineering management company.

Industrial engineering is a technical service sector and also a fundamental industry. L&K Engineering perseveres in building a community with various industries, providing a total range of professional services, forging business partnerships with clients, creating mutually beneficial relationships of endless possibilities. Given that competition is the driver of industrial advancement, competition in the engineering industry is a war for the “value” of existence, whereas the constant creation of value by L&K employees is the longstanding commitment of L&K Engineering.

## 5. Favorable and unfavorable factors for future development and response strategies

### (1).Favorable Factors

- The government is vigorously promoting high-tech, electronic, communications, and biomedical industries.
- Investments in private high-tech industries are growing continuously.
- L&K’s leading profession in cleanroom constructions, its business management capabilities, and its capacity to construct whole plants for relevant M&E industries still exhibit room for development.
- L&K has been the leader of the cleanroom markets in Taiwan for more than two years and is continuously committed to widening this gap.
- Engineering is a combination of applied science and engineering management. L&K has accumulated robust experiences in these two key aspects and translated them into tangible results.
- The Company has become an integral part of a transnational engineering network and food chain, gaining a leading status in product manufacturing, which is very competitive.
- The Company has cooperated with universities and colleges since 1999, providing scholarships to promising engineers, in order to reserve space for the expansion of the company’s business in the future.
- Our professionalism, practice, and 20 years of progressive and continuous business growth have underwent a relatively complete process, without any interruptions.
- The Company is equipped with the professional abilities to implement the improvement and management of design, construction, production R&D, testing, balancing, adjustment, diagnosis, and energy conservation.
- L&K is the only engineering company in Taiwan carrying out sophisticated and professional works for high-tech industries for the longest time and with the most extensive range of technologies.

### (2).Unfavorable Factors

- Optoelectronic industries and semiconductor wafer fabrication plants around the world are approaching a point of saturation, which leads to increased investment, greater investment risks, and rapid outward migration of Taiwan’s high-tech industries.
- Industries in the United States, Japan, and European countries are still in recession. International competitors are turning to the Taiwanese and mainland Chinese markets, which will further intensify competition especially between Taiwanese and mainland Chinese companies.
- Engineering companies are part of the service sector. Large companies are struggling financially. Apart from the need for continuous improvement of their

technological capabilities and management, factors associated with market uncertainty, economic fluctuations, the work attitude of professionals, technological development, and employee turnover and aging, are all risks that businesses must face.

- There is a gradual shortage of labor in Taiwan, and labor costs in Taiwan are higher than those in Southeast Asian countries.

### (3). Response Strategies

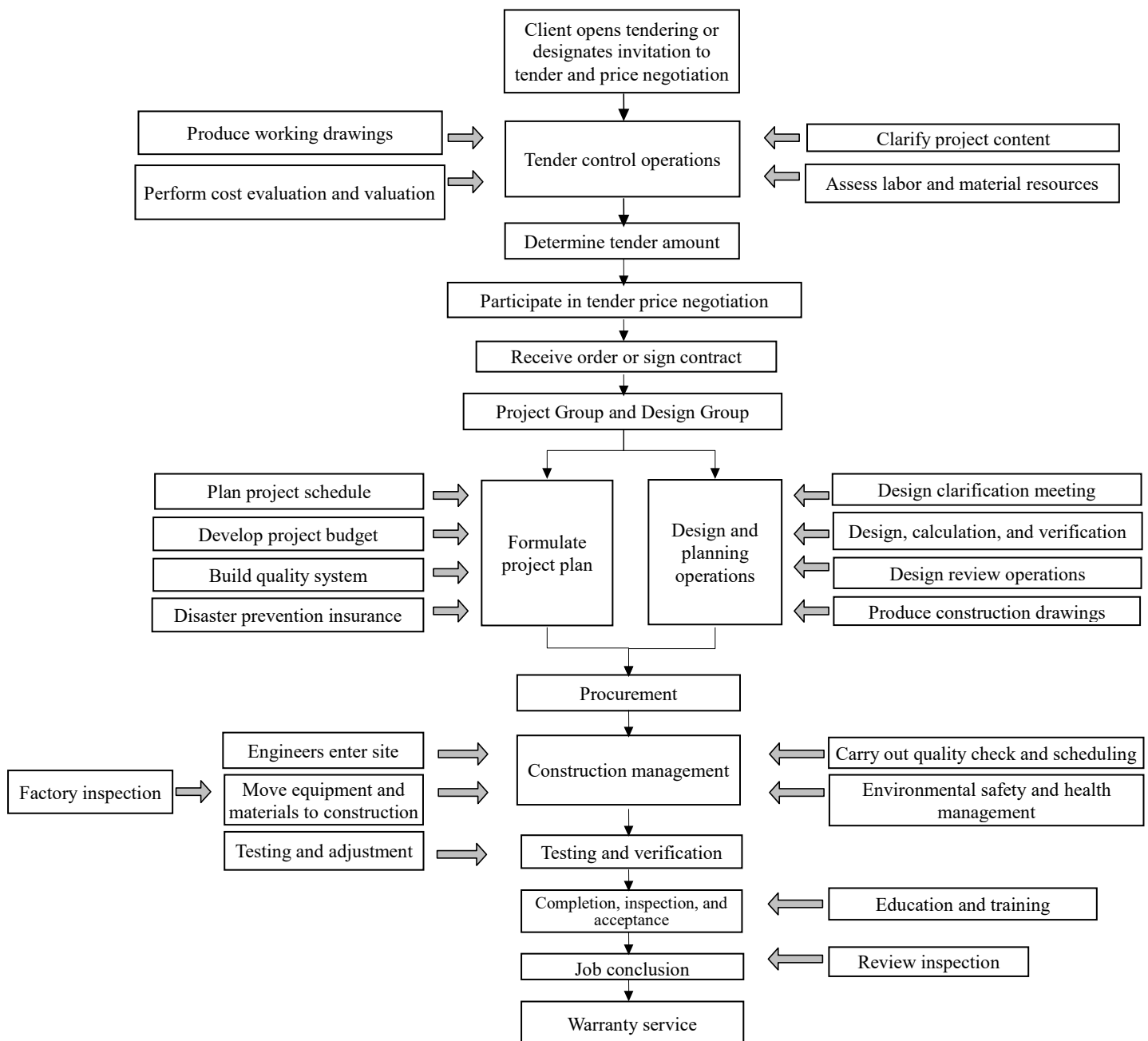
Competition in the field of industrial engineering is affected by factors relating to construction schedule, price, quality, and technological capabilities. Engineering is also a type of business involving professional technical services that focus on the quality and management of people. To ensure consistency in quality and safeguard our reputation, the Company has introduced practices and obtained certifications such as ISO 9001, ISO 14001, ISO 45001, and CNS 45001. Because the Company has already assimilated to a highly competitive environment, we strive to maintain control over our ideology and image in a competitive market, and improve our operational sensitivity and service capability in response to market failures. In response to changes in the engineering market, the Company has invariably sought to be extraordinary among the ordinary, to generate innovative ideas instead of holding onto old ones, and to pursue change. Years of practice and experience, continuous reflection, and innovative reforms are the only strategies that the Company adopts to combat market changes and competition.

## (II) Application and Production of Key Products

### 1. Major Applications of Core Products

L&K Engineering is a professional company specializing in the construction, design, installation, and verification of M&E systems. The main services we provide involve cleanroom systems, process plumbing systems, and integrated M&R systems for high-tech, electronics, and biotech and healthcare industries. These services ensure that product production and yield rate can be optimized in a clean, sterile temperature/humidity-controlled environment, which will greatly facilitate the reduction of our clients' production costs.

### 2. The product manufacturing process is shown below:



(III) Supply of Essential Raw Materials

The Company's procurement of materials and equipment varies according to contract regulations. Except for few works and materials which are outsourced, all other materials and equipment are purchased by the Company. The main materials and equipment included raised floor, FFU, air-conditioning unit, materials for interior renovation, lighting equipment, wires and cables, filters, pipes, various types of valves, and surveillance systems, etc. The Company has built a stable cooperative relationship with suppliers of these materials and equipment.

(IV) List of Key Suppliers and Clients

1. Names of suppliers accounting for more than ten percent of the total purchase in any of the previous two years:

Unit: NT\$ 1,000

Year	2021				2022				2023 Q1			
Item	Name	Amount	% of Total Net Procurement for the Year	Relation to the Company	Name	Amount	% of Total Net Procurement for the Year	Relation to the Company	Name	Amount	% of Total Net Procurement as of the end of the Previous Quarter	Relation to the Company
1	Others	22,348,827	100.00%	None	Others	33,001,985	100.00%	None	Others	7,501,943	100.00%	None
	Net Total	22,348,827	100.00%		Net Total	33,001,985	100.00%		Net Total	7,501,943	100.00%	

The Company's construction cost includes raw material procurement and single jobs which are subcontracted to partnering contractors. Supplier selection follows the management guidelines of the Company's partnering contractors and varies according to project nature, owner's requirements, construction location, and contractor's construction quality and level of cooperation. The Company did not purchase a large amount of supplies from a single supplier. The Company has forged a stable cooperative relationship with suppliers of various materials and equipment and with subcontractors. Therefore, vendor concentration risk is low.

2. Names of clients accounting for more than ten percent of the total revenue in any of the previous two years:

Unit: NT\$ 1,000

Year	2021				2022				2023 Q1			
Item	Name	Amount	% of Total Net Revenue for the Year	Relation to the Company	Name	Amount	% of Total Net Revenue for the Year	Relation to the Company	Name	Amount	% of Total Net Revenue as of the end of the Previous Quarter	Relation to the Company
1	Company D1	3,293,311	13.86%	None	Company D1	3,609,508	10.10%	None	Company D1	604,330	7.34%	None
2	Company L1	2,962,939	12.47%	None	Company L1	3,548,996	9.93%	None	Company L1	939,118	11.40%	None
3	Company U1	1,388,934	5.85%	None	Company U1	4,359,870	12.20%	None	Company U1	1,494,340	18.14%	None
4	Others	16,107,645	67.82%	None	Others	24,220,512	67.77%	None	Others	5,197,996	63.12%	None
	Net Total	23,752,829	100.00%		Net Total	35,738,886	100.00%		Net Total	8,235,784	100.00%	

The Company is a provider of professional system integration service, whose service relationships with project owners are handled on a project basis. Compared to the general manufacturing sector, the Company serves different clients all the time. Construction schedules are stipulated in the contracts of the projects the Company undertakes. Construction works are carried out as scheduled unless special circumstances occur. Therefore, when the Company completes a high-priced project, the service revenues for that period generate concentration of a certain client.

## (V) Production volume and value in the past two years

Unit: NT\$ 1,000

Production Volume/Value  Main Products	Year	2022			2021		
		Production Capacity (Note 1)	Production Volume (Note 1)	Production Value	Production Capacity (Note 1)	Production Volume (Note 1)	Production Value
Cleanroom projects		-	-	4,851,181	-	-	1,151,523
Process plumbing projects		-	-	1,709,147	-	-	1,574,026
M&E projects		-	-	3,799,235	-	-	2,035,928
Others(Note 2)		-	-	22,642,422	-	-	17,587,350
Total		-	-	33,001,985	-	-	22,348,827

Note 1: The Company is a professional provider of system integration services. The projects we undertake involve design, construction, testing, and verification, depending on a project owner's needs. These projects are lowly homogeneous and thus cannot be quantified.

Note 2: Others include turnkey projects and projects not of the aforementioned products, as well as odd jobs and the purchasing/selling of materials.

## (VI) Sales volume and value in the past two years

Unit: NT\$ 1,000

Sales Volume  Main Products (or Department)	Year Value	2022				2021			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume (Note 1)	Value	Volume (Note 1)	Value	Volume (Note 1)	Value	Volume (Note 1)	Value
Cleanroom projects		-	1,889,833	-	3,503,918	-	103,457	-	1,160,164
Process plumbing projects		-	-	-	1,871,942	-	-	-	1,696,977
M&E projects		-	2,588,412	-	1,589,964	-	1,760,499	-	404,818
Others (Note 2)		-	18,314,389	-	5,980,428	-	12,333,388	-	6,293,526
Total		-	22,792,634	-	12,946,252	-	14,197,344	-	9,555,485

Note 1: The Company is a professional provider of system integration services. The projects we undertake involve design, construction, testing, and verification, depending on a project owner's needs. These projects are lowly homogeneous and thus cannot be quantified.

Note 2: Others include turnkey projects and projects not of the aforementioned products, as well as odd jobs and the purchasing/selling of materials.



### iii. Employee Information

Year		2021	2022	2023/3
Employee Count (Note 1)	Direct Labor	2,027	3,952	3,743
	Indirect Labor	349	370	373
	Total	2,376	4,322	4,116
Average Years of Age(Note 2)		43.86	44.41	40.15
Average Years of Service(Note 2)		5.42	5.62	5.46
Education (Note 2)	Ph.D	0.25%	0.17%	0.25%
	Master's	28.30%	28.52%	10.57%
	College degree/Bachelor's	55.69%	56.84%	70.64%
	Senior High School	12.84%	11.48%	14.85%
	Others	2.92%	2.99%	3.69%

Note 1: Include foreign workers.

Note 2: The calculation doesn't include foreign workers.

### iv. Environmental Protection Expenditure

Violations of environmental protection laws and the Labor Standards Act found in environmental and labor inspections in the most recent fiscal year and up to the annual report publication date:N/A.

### v. Labor Relations

The Company has established an Employee Welfare Committee to promote employee relationships and invigorate employee morale. The Committee oversees the organization of various employee welfare activities and contributes 0.075% of business revenue, 0.5% of employee's salary, and a certain percentage of proceeds from selling of scraps, to an employee welfare fund, which is then used to fund the various activities organized by the Employee Welfare Committee.

#### (I) Employee benefits, retirement system, continuing education, training, and their implementation status, as well as labor management agreements and measures for protection of employee rights

##### 1. Employee Benefits

###### (1) Employee Welfare Committee:

1. Birthday cash gift
2. Cash gifts for childbirth and wedding, funeral subsidies, and tenure rewards
3. Subsidies for children's education, emergency relief, and travel

###### (2) The Company provides:

1. Group liability insurance
2. Bonuses for Dragon Boat and Moon Festivals, and year-end bonuses
3. Employee remuneration (as mandated by the Articles of Incorporation)
4. Monthly pension contributions as required by the Labor Standards Act
5. Employee health checks once every two years
6. Year-end raffle draw banquet

(3) Governmental laws and regulations:

1. Labor and health insurance coverage in accordance with laws and regulations
2. Employee compensation for occupational injury in accordance with the Labor Standards Act, and other compensations are pursuant to the Labor Standards Act
3. Others are pursuant to the Labor Standards Act and the Labor Insurance Act

2. Retirement System

1. In compliance with the Labor Standards Act, the Company appropriates labor pension reserve funds of 3% of employee's salary and deposits them into a designated account with Bank of Taiwan.
2. The Company has established the L&K Engineering Co., Ltd. Retirement Guidelines in accordance with the Labor Standards Act and the Labor Pension Act. The Labor Pension Act was implemented on 2005/7/1, and retirement was handled accordingly.
3. The Company has retirement guidelines in place. For employees who are applicable to the old pension system (the Labor Standards Act), the Company contributes a portion of employee salary each month to their respective pension funds, which are administered by the Labor Pension Fund Supervisory Committee and deposited in the Committee's name in Bank of Taiwan. In compliance with regulatory requirements, the Company assesses the balance in the Funds before the end of each year and funds the difference, if any, before the end of March of the next year. In response to the implementation of the Statement of Financial Accounting Standards No. 18, the Company hires an actuary to produce an actuarial evaluation report of the labor pension reserve funds. For employees who are applicable to the new pension system (the Labor Pension Act), the Company makes monthly contributions equal to no less than 6% of employee's monthly salary to the Bureau of Labor Insurance's individual labor accounts.

3. Labor management agreements

The Company holds labor management meetings every three months. These meetings are chaired by the President or the designated Vice President who then coordinates HR and Level-1 supervisors to communicate with the labor representatives. An open channel of communication is ensured to effectively deliver the company's business ideals and facilitate and positive interaction between employer and employee representatives.

4. Continuing education and training for employees:

To strengthen the professional knowledge and skills of the Company employees so that they can produce work of greater quality more effectively and efficiently, and to meet the company's recruitment requirements, the Company encourages employees to engage in continuous innovation, and offers training programs to enhance the quality of our human resources, bolster the company's competitiveness, and cultivate every employee into a hard-working person who is talented, ethical, and competent. In 2022, the Company has organized a total of 5,373 hours of training, which costed roughly NT\$758,727. Training involves the following:

The "Guidelines for the Management of Employee Education and Training" cover the following:

- (1). Orientation for new employees
- (2). Departmental training (internal and external)
- (3). Training performance evaluations.

The Company requires auditors to improve their professionalism by attending internal auditing courses and relevant seminars. Finance officers are also required to attend training courses that are organized by the competent authority or relevant departments.

- (II) Any losses suffered by the company in the most recent years and up to the annual report publication date due to labor disputes, an estimate of possible expenses that could be incurred currently and in the future, and response measures:None.

vi. Information security management:

- (I) Cyber security risk management framework, cyber security policies, specific management plans, and resources invested in cyber security management.

Part (1):

1.0 Management framework

The Company's IT department is responsible for the maintenance and management of information security. They will draw up information security policies and operational regulations, promote the implementation of information security policies, implement information security management plans, raise employees' awareness on information security, continue to strengthen protection measures to reduce information security risks, and ensure the confidentiality, integrity and availability of the company's important information and data.

Internal audits are conducted on the company's information security by following the internal control system and management rules set forth in the company's audit plans. The audit results provide management with the operation status of internal control functions so that management understand the existing or underlying issues and implement improvements or optimization accordingly.

2.0 Information security policy

2.1 Purpose

The Company establishes Information Security Policy as the basis for adopting various information security measures, in order to implement information security management, strengthen the security of the company's computer and network equipment communications, reduce the risks of theft, inappropriate use, leaks, alteration, or damage of IT assets as a result of human error, sabotage, or natural disasters, and ensure the confidentiality, integrity and availability of information assets.

2.2 Applicable Scope

Full-time employees and contract employees of the Company, consultants (or advisers) to the Company, and companies and clients that have business dealings with the Company.

2.3 Information Security Objective

To achieve the following objectives with the concerted efforts of all employees, thereby ensuring the confidentiality, integrity, and availability of information assets and information security operations and safeguarding user data privacy:

- 2.3.1 Continue to fortify and improve the company's information security management system and capability as a whole.
- 2.3.2 Improve the company's information security management and technology literacy, as well as relevant tools, in a timely manner as deemed fit.
- 2.3.3 Protect information on the Company's business activities, avoid unauthorized access and modification, and ensure the correctness and integrity of such information.
- 2.3.4 Comply with the requirements of relevant laws or regulations to achieve business continuity.

### 3.0 Specific Management Plans

Type	Management Plans	Management Measures
Network Management	Set up firewall	Separate internal and external networks, and defend against external attacks.
	Control network services	Control internal-to-external / external-to-internal connections, and ban connections to unauthorized networks.
	Remote sign in	Use remote desktop to sign in remotely to reduce concerns about the security of taking a work computer outside the office.
	Reverse proxy	Through the mechanism of reverse proxy, the real IP address will be concealed to reduce the risks for the servers to be attacked.
Information Equipment Management	Server room management	Set up access control and CCTV to monitor who accessed the server room.
	Asset management	Compile a list of information computer equipment and regularly maintain and take an inventory of it.
	Record storage	Keep records of storage system sign-in events and server file access for future reference.
	Endpoint protection	Install anti-virus software on personal computer and scan for virus at least once a week, update anti-virus software regularly, and install file encryption software to encrypt internal documents, which reduce the chance of confidential information leak.
	Equipment monitoring	Monitor the operation status of network equipment and servers and notify admin if connection fails.
Account Access Management	System admin account	Set up different admin account for different systems and change password regularly to prevent password leak, which will otherwise compromise the entire system.
	User account	Establish operating procedures, such as applying for an account, changing account privileges, and deleting an account; passwords must meet complexity requirements and mandatory password changes.
	User access	Set default for user account privileges as low as possible and set a maturity date for user accounts (users may apply for changes if needed).
Change Management	Backup management	Important information systems and files must be backed up, and important data stored in different places.
	Recovery exercises	Backup data must be regularly verified and recovered to check backup availability.
	Social engineering drills	Employees are regularly trained and tested on their vigilance against phishing emails; those who fail the test are required to undergo awareness courses to enhance their information security concept.

Type	Management Plans	Management Measures
Change Management	Backup power for server rooms	Server rooms are equipped with UPS and a standby generator in case of emergency power outage.
Audit and Awareness	Information security awareness	Regularly promulgate ways to prevent phishing emails and information security concepts.

#### 4.0 Invested Resources

Currently, the IT Department has tasked five of its staff members with the management of information security. The budget for the maintenance and enhancement of information security is also planned every year, and information security-related tasks are reported and discussed in every manager meeting.

- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

vii. Important Contracts

The Company's important contracts that are still effective:

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	Southern Region Engineering Office, Railway Reconstruction Bureau, Ministry of Transportation and Communications	From 2011.11.21 as per owner requirement	ACL212 Kaohsiung Railway Underground (Cut and Cover Construction) Project	-
Construction Contract	Preparatory Office, National Kaohsiung Center for the Arts	From 2012.05.08 as per owner requirement	National Kaohsiung Center for the Arts Special Equipment Project	-
Construction Contract	National Yang Ming Chiao Tung University Hospital	From 2012.11.27 as per owner requirement	National Yang Ming Chiao Tung University Hospital Construction, Renovation, and MEP Turnkey Project	-
Construction Contract	Academia Sinica	From 2013.08.01 as per owner requirement	National Biotechnology Research Park Project (Turnkey)	-
Construction Contract	East District Project Office, Department of Rapid Transit Systems, Taipei City Government	From 2013.12.24 as per owner requirement	Taipei Performing Arts Center Theater Equipment Phase One (TP4) Project	-
Construction Contract	Farglory Construction	As per owner requirement	Taipei Dome Complex Large Indoor Stadium Development Project - MEP Construction	-
Construction Contract	Southern Region Engineering Office, Railway Reconstruction Bureau, Ministry of Transportation and Communications	As per owner requirement	ACL212-1 Kaohsiung Station Canopy (Roof Truss) Project	-
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	As per owner requirement	tsmc F15P7 MEP Package	-
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	As per owner requirement	tsmc F18P1 Outer Piping Construction Project	-
Construction Contract	Macronix International Co., Ltd.	As per owner requirement	FAB5 System MEP Expansion Project	-
Construction Contract	Taiwan Apple, LLC, Taiwan Branch (U.S.A.)	As per owner requirement	LY3 Plant Construction Project	-
Construction Contract	Winbond Electronics Corp.	As per owner requirement	Kaohsiung Plant General MEP Phase I Construction Project	-
Construction Contract	Macronix International Co., Ltd.	As per owner requirement	Fab 5 Bay29/30 Cleanroom Construction Project	-
Construction Contract	Macronix International Co., Ltd.	As per owner requirement	Bay29/30 Plant System MEP Expansion Construction (Phase I) Project	-
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	As per owner requirement	tsmc F18P4P5P6 UNDERGROUND PIPING SYSTEMS	-
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	As per owner requirement	tsmc RD FAB Outer Piping Construction Project	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	United Microelectronics Corp.	As per owner requirement	UMC 12A P5 HPCW System Expansion Project	-
Construction Contract	Nan Ya PCB Co., Ltd	As per owner requirement	Cleanroom Air-Conditioning System for Nan Ya PCB Shulin Factory	-
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	As per owner requirement	tsmc F18P7 UNDERGROUND PIPING SYSTEMS	-
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	As per owner requirement	tsmc F14P8 UNDERGROUND PIPING SYSTEMS	-
Construction Contract	United Microelectronics Corp.	As per owner requirement	12A P6 Cleanroom + MEP Turnkey Project	-
Construction Contract	Powerchip Semiconductor Manufacturing Corp.	As per owner requirement	PSMC P5 Plant Phase 1 Cleanroom System New Construction Project (20K)	-
Construction Contract	Photronics Dnp Mask Corp.	As per owner requirement	PDMC-1D Cleanroom Expansion Project Design	-
Construction Contract	Samsung C&T corporation Taiwan Branch-Korea	As per owner requirement	Taoyuan International Airport Terminal 3 Building Civil Engineering Construction Project - Road Mechanical and Electrical and T3 Temporary Electrical Engineering	-
Construction Contract	Photronics Dnp Mask Corporation	As per owner requirement	PDMC-1D Cleanroom Expansion Project	-
Construction Contract	Allis Electric Co., Ltd.	As per owner requirement	Macronix Fab5 5B Substation AHU Setting Project	-
Construction Contract	Taiwan Apple, LLC, Taiwan Branch (U.S.A.)	As per owner requirement	APPLE LY3 L30/L40 clean room phase 1 expansion project	-
Construction Contract	United Microelectronics Corporation (Singapore Branch)	As per owner requirement	UMC 12i P3/P4 EPC C&S Partial	-
Construction Contract	United Microelectronics Corporation (Singapore Branch)	As per owner requirement	UMC 12i P3 M&E Equipment Systems	-
Construction Contract	United Microelectronics Corp.	As per owner requirement	UMC 8F Cleanroom Expansion and Utility Construction Project	-
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	As per owner requirement	tsmc F22P1 Underground piping package	-
Construction Contract	KIMLY-SHIMIZU JOINT VENTURE (Changi Hospital)	From 2015.04.28 as per owner requirement	Contruction Services	-
Loan Agreement	Hua Nan Commercial Bank	2022.12.09~2023.12.09	General credit limit	-
Loan Agreement	Chinatrust Commercial Bank	2022.08.31~2023.08.31	General credit limit	-
Loan Agreement	Taishin International Bank	2022.09.30~2023.09.30	General credit limit	-
Loan Agreement	Yuanta Commercial Bank	2022.06.29~2023.06.28	General credit limit	-



Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Loan Agreement	Shanghai Commercial and Savings Bank	2022.10.18~2023.10.18	General credit limit	-
Loan Agreement	Mega International Commercial Bank	2022.05.24~2023.05.23	General credit limit	-
Loan Agreement	Mega International Commercial Bank	2017.05.10~2025.05.09	Project Financing	-
Loan Agreement	Mega International Commercial Bank	2011.12.28~2025.12.31	Project Financing	-
Loan Agreement	Export-Import Bank of the Republic of China	2022.05.13~2023.05.12	General credit limit	-
Loan Agreement	Taichung Commercial Bank Co., Ltd.	2023.04.10~2024.04.09	General credit limit	-
Loan Agreement	Land Bank Of Taiwan	2022.08.11-2023.08.11	General credit limit	-
Loan Agreement	Land Bank Of Taiwan	2022.12.01-2025.12.11	Medium-term credit limit	-
Loan Agreement	First Commercial Bank	2022.05.19-2024.05.19	General credit limit	-
Loan Agreement	First Commercial Bank	2011.07.15~2024.10.16	Project Financing	-
Loan Agreement	Mega Bills Finance Co., Ltd.	2023.06.12~2024.06.11	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	International Bills Finance Corporation	2023.01.05~2024.01.04	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	China Bills Finance Corporation	2022.10.17~2023.10.16	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Grand Bills Finance Corp.	2022.11.15~2023.11.14	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Taiwan Cooperative Bills Finance Corporation	2022.12.08~2023.12.08	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Taiwan Finance Corporation	2022.10.18~2023.10.17	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Ta Ching Bills Finance Corporation	2022.10.11~2023.10.11	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Taiwan Shin Kong Commercial Bank Co., Ltd.	2022.09.16~2023.09.15	General credit limit	-
Loan Agreement	Shanghai Commercial and Savings Bank/ Mega International Commercial Bank/Hong Kong Bank of East Asia Taipei Branch/Bank of Kaohsiung/Hua Nan Bank	2021.06.21~2024.06.21	General credit limit	-
Construction Contract	Railway Reconstruction Bureau, Ministry of Transportation and Communications	From 2011.9 as per owner requirement	ACL212 Kaohsiung Railway Underground (Cut and Cover Construction) Project	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	Taiwan Power Company	From 2012.9 as per owner requirement	Talin Power Plant Cylinder Coal Storage System Turnkey Procurement Project	-
Construction Contract	Academia Sinica	From 2013.11 as per owner requirement	Academia Sinica National Biotechnology Research Park Project (Turnkey)	-
Construction Contract	Academia Sinica	From 2013.12 as per owner requirement	Academia Sinica Research Center for Environmental Challenges Construction Project	-
Construction Contract	South Region Water Resources Office, Water Resources Agency, Ministry of Economic Affairs	From 2014.6 as per owner requirement	Nanhua Dam Sediment Sluiceway Tunnel Construction Project	-
Construction Contract	South District Project Office, Department of Rapid Transit Systems, Taipei City Government	From 2016.1 as per owner requirement	Taipei Metro Wanda-Zhonghe-Shulin line (Phase I) CQ850 Construction Project	-
Construction Contract	Department of Rapid Transit Systems, New Taipei City Government	From 2016.6 as per owner requirement	Sanying Line Metro System Turnkey Project	-
Construction Contract	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	From 2017.1 as per owner requirement	New Second Hangar Construction Project	-
Construction Contract	Railway Reconstruction Bureau, Ministry of Transportation and Communications	From 2017.8 as per owner requirement	ACL212-1 Kaohsiung Station Canopy (Roof Truss) Project	-
Construction Contract	New Construction Office, Public Works Department, Taipei City Government	From 2019.7 as per owner requirement	General Building and Underground Parking Lot Project, Taipei Jingmei Girls High School	-
Construction Contract	Taiwan Life Insurance Co., Ltd.	From 2019.4 as per owner requirement	Main Contractor Project Of Taipei City Nangang District Jingmao Section Land serial no.15 Superficies	-
Construction Contract	Southern Region Engineering Office, Railway Bureau, Ministry of Transportation and Communications	From 2019.5 as per owner requirement	CE02 Civil Engineering of Railway Technology Research and Verification Center	-
Construction Contract	Southern Region Engineering Office, Railway Bureau, Ministry of Transportation and Communications	From 2020.7 as per owner requirement	CE02-1 Railway Technology Research and Verification Center C1.C2 Equipment Inspection and Verification	-
Construction Contract	Department of Nuclear And Fossil Power Projects, Taiwan Power Company/Mitsubishi Heavy Industries, Ltd.	From 2020.7 as per owner requirement	Engineering, Procurement, Construction and Commissioning Works for LNG Storage Tanks of LNG Receiving Terminal Project for Taichung Power Plant	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	Land Administration Department ,New Taipei City Government	From 2021.6 as per owner requirement	The City Rezoning Development Project for the 1-2 District of Wenzizun Area across New Taipei City's Xinzhuang and Taishan Districts	-
Construction Contract	Land Administration Department ,New Taipei City Government	From 2021.6 as per owner requirement	The City Rezoning Development Project for the 1-1 District of Wenzizun Area across New Taipei City's Xinzhuang and Taishan Districts	-
Construction Contract	Taoyuan International Airport Corporation Ltd.	From 2021.6 as per owner requirement	Taoyuan International Airport Terminal 3 Building Civil Engineering Construction Contract	-
Construction Contract	Mitsui Fudosan Taiwan Co., Ltd. Nangang Branch	From 2021.8 as per owner requirement	EPC Project for Taipei City Nangang District Jingmao Section Land serial no.15 Superficies - Management Contract	-
Loan Agreement	First Commercial Bank	2023.01.13-2024.01.13	General credit limit	-
Loan Agreement	First Commercial Bank	2015.12.08-2025.02.28	Project Financing	-
Loan Agreement	First Commercial Bank	2016.06.27-2025.05.30	Project Financing	-
Loan Agreement	First Commercial Bank	2019.05.17-2023.12.31	Project Financing	-
Loan Agreement	Hua Nan Commercial Bank	2022.12.24-2023.12.23	General credit limit	-
Loan Agreement	Export-Import Bank of the Republic of China	2022.08.05-2024.08.05	General credit limit	-
Loan Agreement	Export-Import Bank of the Republic of China	2022.08.07-2024.08.05	General credit limit	-
Loan Agreement	Mega International Commercial Bank	2022.08.30-2023.08.29	General credit limit	-
Loan Agreement	Mega International Commercial Bank	2017.07.05-2024.05.09	Project Financing	-
Loan Agreement	Mega International Commercial Bank	2011.09.01-2026.03.31	Project Financing	-
Loan Agreement	Mega International Commercial Bank	2012.01.06-2025.12.31	Project Financing	-
Loan Agreement	Mega International Commercial Bank	2021.12.22-2026.08.29	Project Financing	-
Loan Agreement	Sunny Bank	2022.08.27-2023.08.27	General credit limit	-
Loan Agreement	Chang Hwa Bank	2023.01.19-2024.01.19	General credit limit	-
Loan Agreement	Chinatrust Commercial Bank	2022.08.31-2023.08.31	General credit limit	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	Huatian Technology (Kunshan) Co., Ltd.	From 2020.01.17 as per owner requirement	Hook-Up Tender (Sections A, C, E)	-
Construction Contract	TCL Huaxing Photoelectric Technology Co., Ltd.	From 2020.06.15 as per owner requirement	t1t2 Experimental Line Project - Cleanroom Reconstruction	-
Construction Contract	Rey Lee Integrated Circuit Co., Ltd.	From 2020.07.07 as per owner requirement	Y2020 CP Testing New Tools Hookup Project	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2020.08.25 as per owner requirement	Fab7 P2 Sky Project Phase II Project - Process Water Cooling System	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2020.08.25 as per owner requirement	Fab7 P2 Sky Project Phase II Project - Central Power System	-
Construction Contract	tsmc Nanjing Company Limited	From 2020.10.8 as per owner requirement	tsmc Nanjing - -F16 CCD Power Structure Enhancement	-
Construction Contract	TCL Huaxing Photoelectric Technology Co., Ltd.	From 2020.12.13 as per owner requirement	Cleanroom Environment Improvement Project of t1 Display Plant	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2020.12.29 as per owner requirement	2020TJFab7P1 Low Nitrogen Boiler Reconstruction Project - Boiler CUS Installation	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2020.12.31 as per owner requirement	2020SHFab1 Low Voltage Capacitor Replacement Project	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2021.1.4 as per owner requirement	2020SH Fab1 and Fab2 P1 VCB Replacement Project	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2021.1.20 as per owner requirement	Waste Gas Treatment Machine M&E Installation (installation of exhaust lines of WETDAS3 and CHIYO2 washing equipments)	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2021.1.29 as per owner requirement	Cleanroom Production Plates Expansion Project	-
Construction Contract	Rey Lee Integrated Circuit Co., Ltd.	From 2021.2.23 as per owner requirement	Full Scale Bulk Gas Purifier Expansion Equipment Installation	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2021.2.24 as per owner requirement	Overseas Relocation Hookup Project (Mechanical and Electrical Hookup Project)	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2021.3.2 as per owner requirement	CR Expansion of SHFab1 Dengfeng Project, Phase I Construction	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2021.3.17 as per owner requirement	Electricity Expansion of 2020SHFab1 Expansion Project, Phase I Construction	-
Construction Contract	tsmc Nanjing Company Limited	From 2021.6.15 as per owner requirement	TSMC Nanjing - F16P1BSiteoffice - Temporary Electricity Project	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2021.6.17 as per owner requirement	Mechanical and Electrical Hookup Project (P-project Machinery Hookup Project)	-
Construction Contract	tsmc Nanjing Company Limited	From 2021.7.1 as per owner requirement	TSMC Nanjing - F16P1B Early Stage Building Construction	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2021.7.16 as per owner requirement	Electricity Expansion of 2021SHFab1 Dengfeng Project, Phase II Construction	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	Changsha HKC Optoelectronics Technology Co., Ltd.	From 2021.8.18 as per owner requirement	200K L20 Cleanroom Renovation	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2021.8.28 as per owner requirement	2021 TJ Fab7 P3 Cooling Water System Engineering	-
Construction Contract	Semiconductor Manufacturing International (Shenzhen) Corp.	From 2021.9.1 as per owner requirement	2021 SZ Fab 6 Electrical Equipment Installation and Expansion Project	-
Construction Contract	Semiconductor Manufacturing International (Shenzhen) Corp.	From 2021.9.1 as per owner requirement	2021 SZ Fab 6 Electrical Equipment Installation and Expansion Project	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2021.9.18 as per owner requirement	2021 SMIC Tianjin Plant, Electric Power Section, GSU Transformer Overload Improvement Project	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2021.9.26 as per owner requirement	TJFab7P3 Production Capacity Expansion - Factory Central Power System Construction	-
Construction Contract	TCL Huaxing Photoelectric Technology Co., Ltd.	From 2021.10.8 as per owner requirement	Clean Renovation Project of 98c Super-Large CUT Line Capacity Expansion on t2 Split-Level Fifth Floor	-
Construction Contract	SMIC Jingcheng Integrated Circuit Manufacturing (Beijing) Co., Ltd.	From 2021.10.12 as per owner requirement	2021 BJ Fab3 P1 Construction Project - Process Cooling Water Vacuum and Vacuum Cleaning System	-
Equipment and materials	S.Y.Technology,Engineering&Construction Co.,LTD	From 2021.11.1 as per owner requirement	Hanzhou Fuxing 12-in Linear Integrated Circuit Production Line Project (Phase 1) - Clean Engineering and Procurement of Equipment and Materials	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2021.11.13 as per owner requirement	2021SHFab8-P2GWH8 Expansion Project, Factory Air Conditioning and Civil Engineering Reconstruction	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2021.11.15 as per owner requirement	2021 SHFab1 Risk Improvement - Dry-type Transformer Replacement Project	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2021.11.15 as per owner requirement	2021 TJFab7 Risk Improvement - Dry Type Transformer Replacement Project	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2021.11.15 as per owner requirement	2021 BJFAB2 Risk Improvement - Dry Type Transformer Replacement Project	-
Construction Contract	tsmc Nanjing Company Limited	From 2021.11.16 as per owner requirement	TSMC Nanjing - ME_TXM_Autonomy Filter Replacement Personnel (2022)	-
Construction Contract	tsmc Nanjing Company Limited	From 2021.11.18 as per owner requirement	TSMC Nanjing ME_TXM_TMMSERVICE (2022)	-
Construction Contract	ChangXin Memory Technologies, Inc.	From 2021.11.22 as per owner requirement	Installation of a New Purification System - Expansion Project	-
Construction Contract	Zai Chuang Sheng Wu Yi Yao (Su Zhou )	From 2021.11.26 as per owner requirement	Regenerative Medicine (Suzhou) Co., Ltd. Production Capacity Expansion and Renovation Project	-
Construction Contract	tsmc Nanjing Company Limited	From 2021.12.24 as per owner requirement	TSMC Nanjing - F16P1B EPC Management Service Fee	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2021.12.27 as per owner requirement	2021 BJ Fab2 P1 VCB Replacement Project	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2021.12.29 as per owner requirement	2021 SH Fab1 Electrical Risk Improvement - VCB Replacement Project	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2021.12.30 as per owner requirement	2021 TJ Fab7 Risk Improvement - UPWLSR Uninterruptible Power Supply System Installation	-
Equipment and materials	S.Y.Technology,Engineering&Construction Co.,LTD	From 2021.12.31 as per owner requirement	National Memory Base Project (Phase I) - FAB2 and Supporting Facilities EPC Project - Universal Power Distribution Equipment and Material Supply Contract	-
Construction Contract	Leading Interconnect Semiconductor Tecgbikigy (Shenzhen) Co.,Ltd.	From 2021.12.31 as per owner requirement	Leading Interconnect Semiconductor Technology New Construction Project - SL01 Phase I Primary-Side Power House and Internal Primary and Hookup Distribution Installation	-
Construction Contract	Leading Interconnect Semiconductor Tecgbikigy (Shenzhen) Co.,Ltd.	From 2021.12.31 as per owner requirement	Leading Interconnect Semiconductor Technology New Construction Project - SL01 Phase I Primary-Side Power House and Internal Primary and Hookup Distribution Supply	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.1.17 as per owner requirement	2021 BJ Fab2-P1 Risk Improvement - Dry Type Transformer Overload Improvement Project	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.1.21 as per owner requirement	2021 SH Fab8-P2 P1 Equipment Transport to P2 Phase 2 Power Clean Room System Engineering	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.1.28 as per owner requirement	2021SHFab8-P2 Elastic Equipment Factory PCW-PV-HV System	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.1.28 as per owner requirement	2021SHFab8-P2 P1 Equipment Transport to P2 Phase 2 Power PCW-PV-HV System Engineering	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.2.10 as per owner requirement	32K HDI Expansion - Addition of a New High-Temperature Heat Pump	-
Construction Contract	tsmc Nanjing Company Limited	From 2022.2.21 as per owner requirement	TSMC Nanjing F16P1BSiteofficeexpansion (Expansion of the Site Office and the Restaurant)	-
Construction Contract	Semiconductor Manufacturing International (Shenzhen) Corp.	From 2022.2.25 as per owner requirement	2021SZFab6 - EXH System Expansion Project of Xiangmihu Project Plant	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2022.3.1 as per owner requirement	Fujian Jinhua Integrated Circuit Co., Ltd. First +20K Production Capacity Hookup Procurement Project - Electrical Power, Air Conditioning, Water Supply Hookup Distribution	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.3.1 as per owner requirement	32K Cleanroom Expansion Project	-
Equipment and materials	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.3.1 as per owner requirement	Material Procurement of 32K Cleanroom Expansion Project	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2022.3.8 as per owner requirement	P-projectNewtool (6 Units) Hookup (Mechanical and Electrical Hookup Project)	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2022.3.10 as per owner requirement	2022 SH Fab8-P3 Semiconductor Manufacturing International 12-in Fab SN1 and SN2 Temporary Electricity Construction Project	-
Construction Contract	HeJian Technology (Suzhou) Co., Ltd.	From 2022.3.15 as per owner requirement	WH3 M&E Installation Project for Hejian's Newly Built Storehouse	-
Equipment and materials	HeJian Technology (Suzhou) Co., Ltd.	From 2022.3.15 as per owner requirement	Procurement of Materials for WH3 M&E Equipments for Hejian's Newly Built Storehouse	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.3.17 as per owner requirement	32K I-LINE Power Distribution	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.3.17 as per owner requirement	32K Hookup	-
Construction Contract	United Microelectronics Corporation	From 2022.3.24 as per owner requirement	Singapore UMC 12iP3/4PilingWork	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.3.30 as per owner requirement	32K ACS/WTS Variable-Frequency Drive & DC BANK Equipment	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.3.31 as per owner requirement	32K Water Cooling and Heating System Expansion Project	-
Equipment and materials	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.3.31 as per owner requirement	Material Procurement of 32K Water Cooling and Heating System Expansion Project	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.3.31 as per owner requirement	32K Cleanroom Expansion Project	-
Construction Contract	HuiZhou China Star Optoelectronics Display Co.,Ltd.	From 2022.4.7 as per owner requirement	Hookup Project of Fuichiu Model Phase I InlineDemura Renovation	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.4.20 as per owner requirement	32KPCWHookup Process Water Cooling Hookup Project	-
Construction Contract	ChangXin Xinqiao Memory Technologies,Inc.	From 2022.4.25 as per owner requirement	Phase II Project of 12-in Wafer Fab, Cleanroom MEP B	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2022.4.27 as per owner requirement	2021TJFab7-P1 3 Units Fresh Air Conditioning Overhaul Project	-
Construction Contract	Qing Ding Precision Electronics (HuaiAn) Co., Ltd.	From 2022.4.30 as per owner requirement	Phase I M&E Installation Project of Qing Ding's High-end High-intensity Printed Circuit Board	-
Construction Contract	Qing Ding Precision Electronics (HuaiAn) Co., Ltd.	From 2022.4.30 as per owner requirement	Phase I M&E Supply Project of Qing Ding's High-end High-intensity Printed Circuit Board	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	TCL Huaxing Photoelectric Technology Co., Ltd.	From 2022.5.11 as per owner requirement	T2 Super-Large 50KPH1-M1B Clean Package Project	-
Construction Contract	Semiconductor Manufacturing International (Shenzhen) Corp.	From 2022.5.13 as per owner requirement	2022SZFab5 MAU System Expansion Project of Cleanrooms in the Window of the World Project	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2022.5.19 as per owner requirement	Factory CR Wall Reconstruction for the 2022SHFab8-P2 Expansion Project (P1)	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2022.5.23 as per owner requirement	P-projectNewtool (9 Units) Hookup (Mechanical and Electrical Hookup Project)	-
Construction Contract	XiaMen American Japan Photonics Mask Co.,Ltd.	From 2022.6.17 as per owner requirement	Procurement of Equipments for PDMCX F1 Phase P2-1 Expansion and Decoration Project	-
Construction Contract	TCL Huaxing Photoelectric Technology Co., Ltd.	From 2022.6.28 as per owner requirement	Mechanical, Electrical and Gas Hookup of the t1t2 Super-Large 50KPH2 Project	-
Construction Contract	HuiZhou China Star Optoelectronics Display Co.,Ltd.	From 2022.7.15 as per owner requirement	Hookup of the Tianchi Project in the Fuichiu Model	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.8.12 as per owner requirement	Supporting Construction of the 2022SHFab8-P2 Fully-loaded Expansion Project - Central Power System Expansion Construction	-
Equipment and materials	Wuhan Chuxing Technology Co., Ltd.	From 2022.8.17 as per owner requirement	Chuxing Electric Product Manufacturing Project, Phase I Manufacturing Equipments F01 Clean Package - Equipment and Material Purchasing	-
Construction Contract	Leading Interconnect Semiconductor Tecgbikigy (Shenzhen) Co.,Ltd.	From 2022.8.18 as per owner requirement	J2ACDA System Equipment Procurement	-
Construction Contract	tsmc Nanjing Company Limited	From 2022.8.22 as per owner requirement	TSMC Nanjing F16_N12,16_M_SP1PCWloopump and Heat Plate *1	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.8.26 as per owner requirement	Plant Reconstruction and Expansion of the 2022SHFab8-P2 Expansion Project (P1) - Cleanroom General MEP Systems Project	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.8.26 as per owner requirement	Plant Reconstruction and Expansion of the 2022SHFab8-P2 Expansion Project (P1) - Cleanroom General MEP Systems Project	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.9.16 as per owner requirement	Plant Reconstruction and Expansion of the 2022SHFab8-P2 Expansion Project (P1) - Electrical Power System Project	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.9.16 as per owner requirement	Plant Reconstruction and Expansion of the 2022SHFab8-P2 Expansion Project (P1) - Electrical Power System Project	-
Construction Contract	TCL Huaxing Photoelectric Technology Co., Ltd.	From 2022.10.10 as per owner requirement	T2 Super-Large 50KPH2PHL Reconstruction Clean Package	-
Construction Contract	tsmc Nanjing Company Limited	From 2022.11.24 as per owner requirement	TSMC Nanjing ME_TXM_Personnel_TMMSERVICE (2023)	-
Construction Contract	ChangXin Memory Technologies, Inc.	From 2022.11.30 as per owner requirement	V0.33 Fullscale Bulk Gas System Expansion Project	-



Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	tsmc Nanjing Company Limited	From 2022.11.5 as per owner requirement	TSMC Nanjing - MSS_AMC_TXM_Autonomy Filter Replacement Personnel (2023)	-
Construction Contract	tsmc Nanjing Company Limited	From 2022.12.26 as per owner requirement	TSMC Nanjing - IE_TXM_Personnel_TMMSERVICE (2023)	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2023.2.9 as per owner requirement	DR Dormitory Fire Safety Strengthening Project	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	Cleanroom Package (Materials)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	Cleanroom Package (Materials)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	HVAC System (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	HVAC System (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	Fire Protection System (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	Fire Protection System (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	Electrical Engineering (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	Electrical Engineering (Material)	-
Construction Contract	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	Process Piping System (Labor)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.2.14 as per owner requirement	Process Piping System (Material)	-
Construction Contract	PXW Semiconductor Manufactory Co., Ltd.	From 2023.3.3 as per owner requirement	Pxw Semiconductor Manufactory Co., Ltd, IC Manufacturing Line Hookup Project - Installation	-
Equipment and materials	PXW Semiconductor Manufactory Co., Ltd.	From 2023.3.3 as per owner requirement	Pxw Semiconductor Manufactory Co., Ltd, IC Manufacturing Line Hookup Project - Material Supply Contract	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2023.3.30 as per owner requirement	2022Fab8-P2 Risk Improvement - Addition of UPS to the MAU System	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2023.4.7 as per owner requirement	480 Volt Process Plates Expansion Project	-
Equipment and materials	Fujian Jinhua Integrated Circuit Co., LTD	From 2023.4.7 as per owner requirement	Process Plates Expansion Project (Materials)	-

## VI. Financial Status Overview

### i. Condensed balance sheets and income statements for the past five fiscal years

#### (I) Consolidated Balance Sheet

Unit: NT\$ 1,000

Item		2018	2019	2020	2021	2022	First Quarter of 2023
Total current assets		22,441,629	23,550,050	23,929,793	27,755,043	43,935,897	46,223,693
Property, plant and equipment		885,884	1,040,776	760,114	749,636	847,439	839,281
Intangible assets		21,659	17,990	19,964	20,401	31,128	30,264
Other assets		3,647,436	3,426,436	3,552,209	3,714,843	4,203,778	4,266,210
Total assets		26,996,608	28,035,252	28,262,080	32,239,923	49,018,242	51,359,448
Current liabilities	Before distribution	12,939,245	14,316,215	14,776,687	18,925,361	34,273,602	36,162,711
	After distribution	12,600,934	13,977,904	14,551,146	18,587,050	-	-
Total Noncurrent Liabilities		2,430,162	2,117,991	2,248,892	1,922,057	1,932,323	1,977,305
Total liabilities	Before distribution	15,369,407	16,434,206	17,025,579	20,847,418	36,205,925	38,140,016
	After distribution	15,031,096	16,095,895	16,800,038	20,509,107	-	-
Equity attributable to shareholders of the parent		7,701,965	7,722,774	7,601,421	7,794,615	8,695,729	9,037,492
Capital stock		2,255,409	2,255,409	2,255,409	2,255,409	2,255,409	2,255,409
Certificates of Bond-to-Stock Conversion		-	-	-	-	-	-
Capital surplus		2,855,388	2,855,388	2,847,935	2,847,935	2,853,613	2,853,613
Retained earnings	Before distribution	2,820,820	2,981,088	2,952,038	3,053,424	3,720,415	4,039,887
	After distribution	2,482,509	2,642,777	2,726,497	2,715,113	-	-
Other equity		(229,652)	(369,111)	(453,961)	(362,153)	(133,708)	(111,417)
Non-controlling interests		3,925,236	3,878,272	3,635,080	3,597,890	4,116,588	4,181,940
Total equity	Before distribution	11,627,201	11,601,046	11,236,501	11,392,505	12,812,317	13,219,432
	After distribution	11,288,890	11,262,735	11,010,960	11,054,194	-	-

Note1. The above balance sheet has been (reviewed) audited by L.H. Chen & Co., CPAs.

Note2. Provide the date of revaluation of assets, if any, for the year and increase in revaluation: The Company did not conduct any revaluation of assets for the year.

Note3. If, before the date of publication of this annual report, there are any financial data for the most recent period audited and attested or reviewed by a CPA, in the case of a company whose shares are listed on the TWSE or TPEX, it shall also be disclosed.

Note4. Please provide the values for After Distribution based on the resolution of Board of Directors or the Shareholders' Meeting held in the following year, and "-" if no amount is distributed.

Note5. For those who have been notified by the competent authority to correct or revise their financial information, all the figures/numbers used shall be corrected and revised, and the reasons for such adjustment, items adjusted, and amount shall be noted.

## (II) Individual Consolidated Balance Sheet

Unit: NT\$ 1,000

Item		2018	2019	2020	2021	2022
Total current assets		3,778,724	4,283,105	5,256,136	6,441,785	19,516,172
Property, plant and equipment		181,008	287,839	279,055	270,626	284,481
Intangible assets		2,794	1,108	4,011	5,208	7,315
Other assets		8,086,705	7,833,077	7,422,075	7,511,633	8,332,486
Total assets		12,049,231	12,405,129	12,961,277	14,229,252	28,140,454
Current liabilities	Before distribution	2,633,163	3,049,362	3,786,165	5,273,697	18,874,034
	After distribution	2,294,852	2,711,051	3,560,624	4,935,386	-
Total Noncurrent Liabilities		1,714,103	1,632,993	1,573,691	1,160,940	570,691
Total liabilities	Before distribution	4,347,266	4,682,355	5,359,856	6,434,637	19,444,725
	After distribution	4,008,955	4,344,044	5,134,315	6,096,326	-
Equity attributable to owner of parent		-	-	-	-	-
Capital stock		2,255,409	2,255,409	2,255,409	2,255,409	2,255,409
Certificates of Bond-to-Stock Conversion		-	-	-	-	-
Capital surplus		2,855,388	2,855,388	2,847,935	2,847,935	2,853,613
Retained earnings	Before distribution	2,820,820	2,981,088	2,952,038	3,053,424	3,720,415
	After distribution	2,482,509	2,642,777	2,726,497	2,715,113	-
Other equity		(229,652)	(369,111)	(453,961)	(362,153)	(133,708)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	7,701,965	7,722,774	7,601,421	7,794,615	8,695,729
	After distribution	7,363,654	7,384,463	7,375,880	7,456,304	-

Note1. The above balance sheet has been (reviewed) audited by L.H. Chen & Co., CPAs.

Note2. Provide the date of revaluation of assets, if any, for the year and increase in revaluation: The Company did not conduct any revaluation of assets for the year.

Note3. If, before the date of publication of this annual report, there are any financial data for the most recent period audited and attested or reviewed by a CPA, in the case of a company whose shares are listed on the TWSE or TPEx, it shall also be disclosed.

Note4. Please provide the values for After Distribution based on the resolution of Board of Directors or the Shareholders' Meeting held in the following year, and "-" if no amount is distributed.

Note5. For those who have been notified by the competent authority to correct or revise their financial information, all the figures/numbers used shall be corrected and revised, and the reasons for such adjustment, items adjusted, and amount shall be noted.

## (III) Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ 1,000

Item	2018	2019	2020	2021	2022	First Quarter of 2023
Operating revenue	22,235,076	16,591,857	13,916,562	23,752,829	35,738,886	8,235,784
Gross profit	1,841,132	1,092,407	805,533	1,404,002	2,736,901	733,841
Net operating income	1,087,780	339,870	(129,653)	281,064	1,617,179	330,302
Non-operating income and expenses	65,846	563,842	402,083	120,505	86,817	109,820
Income before income tax	1,153,626	903,712	272,430	401,569	1,703,996	440,122
Current period profit from continuing operations	832,000	681,997	209,927	324,109	1,284,023	372,811
Loss from discontinued operations	-	-	-	-	-	-
Net income	832,000	681,997	209,927	324,109	1,284,023	372,811
Other comprehensive income (loss) for the period, net of income tax	(142,711)	(251,664)	(133,412)	107,652	289,159	34,304
Total comprehensive income for the period	689,289	430,333	76,515	431,761	1,573,182	407,115
Net profit attributable to owner of parent	543,096	499,011	342,880	321,400	999,138	319,472
Net profit attributable to non-controlling interests	288,904	182,986	(132,953)	2,709	284,885	53,339
Total comprehensive income attributable to the owner of parent	469,219	359,120	212,542	418,735	1,233,747	341,763
Total comprehensive income attributable to non-controlling interests	220,070	71,213	(136,027)	13,026	339,435	65,352
Basic Earnings Per Share	2.41	2.21	1.52	1.43	4.43	1.42

Note1. The above balance sheet has been (reviewed) audited by L.H. Chen & Co., CPAs.

Note2. If, before the date of publication of this annual report, there are any financial data for the most recent period audited and attested or reviewed by a CPA, in the case of a company whose shares are listed on the TWSE or TPEx, it shall also be disclosed.

Note3. Loss from discontinued operations is the net amount after income tax.

Note4. For those who have been notified by the competent authority to correct or revise their financial information, all the figures/numbers used shall be corrected and revised, and the reasons for such adjustment, items adjusted, and amount shall be noted.

## (IV) Condensed Statement of Comprehensive Income

Unit: NT\$ 1,000

Item	2018	2019	2020	2021	2022
Operating revenue	3,972,955	2,673,279	3,134,895	4,994,812	10,805,257
Gross profit	479,247	36,708	289,641	484,791	1,158,652
Net operating income	331,492	(127,185)	140,898	270,199	840,233
Non-operating income and expenses	373,686	744,712	240,055	104,427	424,989
Income before income tax	705,178	617,527	380,953	374,626	1,265,222
Current period profit from continuing operations	543,096	499,011	342,880	321,400	999,138
Loss from discontinued operations	-	-	-	-	-
Net income	543,096	499,011	342,880	321,400	999,138
Other comprehensive income for the period net of income tax	(73,877)	(139,891)	(130,338)	97,335	234,609
Total comprehensive income for the period	469,219	359,120	212,542	418,735	1,233,747
Net profit attributable to owner of parent	-	-	-	-	-
Net profit attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to the owner of parent	-	-	-	-	-
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Basic Earnings Per Share	2.41	2.21	1.52	1.43	4.43

Note1. The above balance sheet has been (reviewed) audited by L.H. Chen & Co., CPAs.

Note2. If, before the date of publication of this annual report, there are any financial data for the most recent period audited and attested or reviewed by a CPA, in the case of a company whose shares are listed on the TWSE or TPEx, it shall also be disclosed.

Note3. Loss from discontinued operations is the net amount after income tax.

Note4. For those who have been notified by the competent authority to correct or revise their financial information, all the figures/numbers used shall be corrected and revised, and the reasons for such adjustment, items adjusted, and amount shall be noted.

(V) Names of CPA and audit opinions in the past five years

Year	Accounting Firm Name	CPA	Audit Opinions
2018	L.H. Chen & Co., CPAs	Chih-Jou Tai, Chung-Yuan Tsai	An Unqualified Opinion
2019	L.H. Chen & Co., CPAs	Tseng-Kuo Huang, Chih-Jou Tai	An Unqualified Opinion
2020	L.H. Chen & Co., CPAs	Tseng-Kuo Huang, Chih-Jou Tai	An Unqualified Opinion
2021	L.H. Chen & Co., CPAs	Tseng-Kuo Huang, Chih-Jou Tai	An Unqualified Opinion
2022	L.H. Chen & Co., CPAs	Tseng-Kuo Huang, Chih-Jou Tai	An Unqualified Opinion

VI. If the company and its affiliates have experienced financial difficulties in the most recent fiscal year or up to the date of publication of the annual report, the impact of such difficulties on the Company's financial status shall be described: None.

ii. Five-Year Financial Analysis  
(I) Financial Analysis - Consolidated

Item of Analysis		2018	2019	2020	2021	2022	First Quarter of 2023
Financial Structure (%)	Debt to asset ratio	56.93	58.62	60.24	64.66	73.86	74.26
	Ratio of long-term capital to property, plant and equipment	1,586.82	1,318.16	1,774.13	1,776.14	1,739.90	1,810.68
Liquidity (%)	Current ratio	173.44	164.50	161.94	146.66	128.19	127.82
	Quick ratio	111.60	98.15	81.95	80.72	66.82	69.34
	Times interest earned	13.38	11.90	4.40	6.09	28.17	24.52
Operating Ability	Receivables turnover ratio (times)	4.60	3.81	3.35	4.77	5.44	5.13
	Average collection days	79.35	95.80	108.96	76.51	67.09	71.15
	Inventories, net turnover ratio (times)	0.28	0.18	0.15	2.35	3.45	3.09
	Payables turnover ratio (times)	3.26	2.46	2.12	2.95	3.25	3.15
	Average days for sale	1,303.57	2,027.78	2,433.33	155.31	105.79	118.12
	Property, plant and equipment turnover ratio (times)	24.02	17.22	15.46	31.47	44.76	39.06
	Total asset turnover (times)	0.82	0.60	0.49	0.79	0.88	0.66
Profitability	Return on total assets (%)	3.35	2.72	0.97	1.28	3.28	3.09
	Return on equity (%)	7.23	5.87	1.84	2.86	10.61	11.46
	Ratio of income before tax to paid-in capital (%)	51.15	40.07	12.08	17.80	75.55	78.06
	Net margin (%)	3.74	4.11	1.51	1.36	3.59	4.53
	Earnings per share (NT\$)	2.41	2.21	1.52	1.43	4.43	1.42
Cash Flow	Cash flow ratio (%)	24.72	-12.59	0.14	7.07	22.07	6.79
	Cash flow adequacy ratio (%)	22.15	-	1.62	9.48	175.78	165.49
	Cash flow reinvestment ratio (%)	24.90	-18.76	-2.88	10.34	61.44	20.17
Leverage	Operating leverage	2.47	5.50	-10.56	5.26	2.49	3.43
	Financial leverage	1.09	1.32	0.62	1.39	1.04	1.06

Note 1: The above balance sheet has been (reviewed) audited by L.H. Chen & Co., CPAs.

Note 2: If, before the date of publication of this annual report, there are any financial data for the most recent period audited and attested or reviewed by a CPA, in the case of a company whose shares are listed on the TWSE or TPEx, it shall be analyzed.

Note 3: Description of changes in increase and decrease:

1. Increase in times interest earned: A year-over-year increase is mainly due to changes in ratios resulting from an increase in profit.
2. An increase in inventory turnover ratio (times)/a decrease in average days for sale:  
The Company belongs to the construction service sector, where the recognition of inventory follows the Taiwanese Statement of Financial Accounting Standards (SFAS) NO.11: Accounting Principal for Long-term Construction Contracts, which is completely different from that used for general manufacturing. This inventory turnover ratio indicator is not applicable to our sector.
3. An increase in profitability-related ratios: It is mainly due to changes in ratios resulting from an increase in revenue together with an increase in profit.
4. An increase in cash flow-related ratios: It is mainly due to an increase in net cash flow from operating activities.
5. Decrease in operating leverage ratio: The decrease in ratio is mainly because changes in fixed operating costs and fees are smaller than changes in operating profits.

Note 4: Calculation formula for above items:

1. Financial Structure
  - (1) Debt to Asset Ratio = Total Liabilities / Total Assets.
  - (2) Ratio of Long-Term Capital to Property, Plant and Equipment = (Total Equity + Total Noncurrent Liabilities) / Property, plant and equipment, net .
2. Liquidity
  - (1) Current Ratio = Total Current Assets / Total Current Liabilities
  - (2) Quick Ratio = (Total Current Assets - Inventories, net - Prepaid Expenses) / Total Current Liabilities
  - (3) Times Interest Earned = Earnings Before Income Tax and Interest Expenses / Current Interest Expenses.
3. Operating Ability
  - (1) Receivables (including accounts receivable and note receivable arising from business operations) Turnover Rate = Net Operating Revenue / Average Receivables (including accounts receivable and note receivable arising from business operations) for each period.
  - (2) Average collection days = 365 / Receivables Turnover Ratio.
  - (3) Inventories, net Turnover Ratio = Operating Costs / Average Inventories, net.
  - (4) Payables (including accounts payable and note payable arising from business operations) Turnover Rate = Operating Costs / Average Payables (including accounts payable and note payable arising from business operations) for each period.
  - (5) Average Days for Sale = 365 / Inventories, net Turnover Ratio.
  - (6) Property, Plant and Equipment turnover Ratio = Net Operating Revenue / Average Property, plant and equipment, net .
  - (7) Total Asset Turnover = Net Operating Revenue / Average Total Asset.
4. Profitability
  - (1) Return on Total Assets = (Net Income + Interest Expenses × (1-Tax Rate) / Average Total Assets.
  - (2) Return on Equity = Net Income / Average Total Equity.
  - (3) Net Margin = Net Income / Net Operating Revenue.
  - (4) Earnings Per Share = (Profit and Loss Attributable to Owner of Parent Company -Dividends on Preferred Shares) / Weighted Average Number of Shares Outstanding.
5. Cash Flow
  - (1) Cash Flow Ratio = Net Cash Flow From Operating Activities / Total Current Liabilities
  - (2) Cash Flow Adequacy Ratio = Five-Year Net Cash Flow From Operating Activities / Five-Year (Capital Expenditures + Inventories, net Additions + Cash Dividend).
  - (3) Cash Flow Reinvestment Ratio = (Cash Flow From Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-Total Current Assets + Working Capital).
6. Leverage
  - (1) Operating Leverage = (Net Operating Revenue- Variable Operating Costs and Expenses) / Net Operating Income.
  - (2) Financial Leverage = Net Operating Income / (Net Operating Income - Interest Expenses).



## (II) Financial Analysis - Individual

Item of Analysis		2018	2019	2020	2021	2022
Financial Structure (%)	Debt to asset ratio	36.08	37.75	41.35	45.22	69.10
	Ratio of long-term capital to property, plant and equipment	5,202.01	3,250.35	3,287.92	3,309.20	3,257.31
Liquidity (%)	Current ratio	143.51	140.46	138.82	122.15	103.40
	Quick ratio	91.33	76.62	86.91	86.01	46.79
	Times interest earned	22.91	21.37	10.67	11.48	65.04
Operating Ability	Receivables turnover ratio (times)	9.84	10.69	7.23	4.84	6.90
	Average collection days	37.09	34.14	50.48	75.41	52.90
	Inventories, net turnover ratio (times)	0.21	0.15	0.14	2.59	5.52
	Payables turnover ratio (times)	2.59	2.17	2.66	2.53	3.40
	Average days for sale	1,738.10	2,433.33	2,607.14	140.93	66.12
	Property, plant and equipment turnover ratio (times)	21.48	11.40	11.06	18.17	38.93
	Total asset turnover (times)	0.32	0.22	0.25	0.37	0.51
Profitability	Return on total assets (%)	4.63	4.28	2.95	2.57	4.79
	Return on equity (%)	7.10	6.47	4.48	4.18	12.12
	Ratio of income before tax to paid-in capital (%)	31.27	27.38	16.89	16.61	56.10
	Net margin (%)	13.67	18.67	10.94	6.43	9.25
	Earnings per share (NT\$)	2.41	2.21	1.52	1.43	4.43
Cash Flow	Cash flow ratio (%)	47.88	-41.59	6.56	33.02	28.30
	Cash flow adequacy ratio (%)	81.71	4.66	3.56	42.88	279.83
	Cash flow reinvestment ratio (%)	10.25	-17.65	-1.00	17.62	57.22
Leverage	Operating leverage	2.24	-2.18	3.92	2.18	1.73
	Financial leverage	1.11	0.81	1.39	1.15	1.02

Note 1: The above balance sheet has been (reviewed) audited by L.H. Chen & Co., CPAs.

Note 2: If, before the date of publication of this annual report, there are any financial data for the most recent period audited and attested or reviewed by a CPA, in the case of a company whose shares are listed on the TWSE or TPEX, it shall be analyzed.

Note 3: Description of changes in increase and decrease:

1. Increase in debt to asset ratio:  
A year-over-year increase is mainly due to changes in ratios resulting from an increase in debts incurred in contracts.
2. Increase in times interest earned:  
A year-over-year increase is mainly due to changes in ratios resulting from an increase in profit.
3. An increase in inventory turnover ratio (times)/a decrease in average days for sale:  
The Company belongs to the construction service sector, where the recognition of inventory follows the Taiwanese Statement of Financial Accounting Standards (SFAS) NO.11: Accounting Principal for Long-term Construction Contracts, which is completely different from that used for general manufacturing. This inventory turnover ratio indicator is not applicable to our sector.
4. An increase in profitability-related ratios: It is mainly due to changes in ratios resulting from an increase in profit.
5. An increase in cash flow-related ratios: It is mainly due to an increase in net cash flow from operating activities.

Note 4: Calculation formula for above items:

1. Financial Structure
  - (1) Debt to Asset Ratio = Total Liabilities / Total Assets.
  - (2) Ratio of Long-Term Capital to Property, Plant and Equipment = (Total Equity + Total Noncurrent Liabilities) / Property, plant and equipment, net .
2. Liquidity
  - (1) Current Ratio = Total Current Assets / Total Current Liabilities
  - (2) Quick Ratio = (Total Current Assets - Inventories, net - Prepaid Expenses) / Total Current Liabilities
  - (3) Times Interest Earned = Earnings Before Income Tax and Interest Expenses / Current Interest Expenses.
3. Operating Ability
  - (1) Receivables (including accounts receivable and note receivable arising from business operations) Turnover Rate = Net Operating Revenue / Average Receivables (including accounts receivable and note receivable arising from business operations) for each period.
  - (2) Average collection days = 365 / Receivables Turnover Ratio.
  - (3) Inventories Turnover Ratio = Operating Costs / Average Inventories.
  - (4) Payables (including accounts payable and note payable arising from business operations) Turnover Rate = Cost of Sales / Average Payables (including accounts payable and note payable arising from business operations) for each period.
  - (5) Average Days for Sale = 365 / Inventories, net Turnover Ratio.
  - (6) Property, Plant and Equipment turnover Ratio = Net Operating Revenue / Average Property, plant and equipment, net .
  - (7) Total Asset Turnover = Net Operating Revenue / Average Total Asset.
4. Profitability
  - (1) Return on Total Assets = (Net Income + Interest Expenses × (1-Tax Rate) / Average Total Assets.
  - (2) Return on Equity = Net Income / Average Total Equity.
  - (3) Net Margin = Net Income / Net Operating Revenue.
  - (4) Earnings Per Share = (Profit and Loss Attributable to Owner of Parent Company -Dividends on Preferred Shares) / Weighted Average Number of Shares Outstanding.
5. Cash Flow
  - (1) Cash Flow Ratio = Net Cash Flow From Operating Activities / Total Current Liabilities
  - (2) Cash Flow Adequacy Ratio = Five-Year Net Cash Flow From Operating Activities / Five-Year (Capital Expenditures + Inventories, net Additions + Cash Dividend).
  - (3) Cash Flow Reinvestment Ratio = (Cash Flow From Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-Total Current Assets + Working Capital).
6. Leverage
  - (1) Operating Leverage = (Net Operating Revenue- Variable Operating Costs and Expenses) / Net Operating Income.
  - (2) Financial Leverage = Net Operating Income / (Net Operating Income - Interest Expenses).

- iii. Audit Committee's Review Report for the Most Recent Year: See Page 173 of this Annual Report.
- iv. Financial Reports for the Most Recent Year: See Page 175-268 of this Annual Report..
- v. CPA-Audited Individual Financial Reports for the Most Recent Year: See Page 269-352 of this Annual Report.
- vi. If the company and its affiliates have experienced financial difficulties in the most recent fiscal year or up to the date of publication of the annual report, the impact of such difficulties on the Company's financial status shall be described: None.

## VII. Review and Analysis of Financial Status and Financial Performance and Risk Management

### i. Comparative Analysis of Financial Status

Unit: NT\$ 1,000

Item \ Year	End of 2022	End of 2021	Difference	
			Amount	%
Total assets	49,018,242	32,239,923	16,778,319	52.04%
Total liabilities	36,205,925	20,847,418	15,358,507	73.67%
Total equity	12,812,317	11,392,505	1,419,812	12.46%

1.1. Total assets increased over the previous period, mainly due to the increase in current assets.

1.2. Total liabilities increased over the previous period, mainly due to the increase in current liabilities.

### ii. Comparative Analysis of Financial Performance

(I)

Unit: NT\$ 1,000

Item \ Year	2022	2021	Change	%
Operating revenue	35,738,886	23,752,829	11,986,057	50.46%
Net Operating Income	1,617,179	281,064	1,336,115	475.38%
Income before Income Tax	1,703,996	401,569	1,302,427	324.33%

A year-over-year increase in operating revenues and net operating income is mainly due to a increase in operating revenues in 2022.

(II) Effect of projected sales volume and basis on the Company's financial operations, and measures to be taken in response:

With the wide coverage of vaccination, lifting of Covid measures, recovering of social activities and supply chains, the world economy will ultimately return to pre-pandemic levels. Therefore, the world economic output is forecast to come back to pre-pandemic levels. 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 strength 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 steadily 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 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 business opportunities created by this trend merit our continuous commitment and engagement. Therefore, despite the concerns of 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. Cash Flow

(I).Analysis of changes in cash flow of the current year:

1. Operating activities: Net cash inflow from operating activities amounting to NT\$7,562,747,000 is mainly due to an increase in Liabilities of contract.
2. Investing activities: Net cash outflow from investing activities amounting to NT\$1,576,677,000 is mainly due to an increase in other financial assets.
3. Financing activities: Net cash outflow from financing activities amounting to NT\$362,007,000 is mainly due to payment of cash dividends.

(II).Improvement plans for insufficient liquidity: N/A.

(III).Cash flow analysis for the coming year:

The quantity and quality of construction projects for the coming year can be well managed under the current scale; therefore, the cash flow is expected to remain the same as that of the previous years.

iv. Effect of major capital expenditures on financial operations in the most recent year: None.

- v. Reinvestment policy for the most recent year, main reasons for profits/losses generated, improvement plans, and investment plans for the coming year:

(I) Reinvestment policy in the most recent year:

The Company's reinvestment policy is based on the development trends of industries and adopts a conservative and robust approach. Each of our subsidiaries exhibit an excellent financial status and their investments are as effective as the Company expects, thanks to the Company's effective management.

(II) The main reason for profit or loss and improvement plan for reinvestment profitability:

Unit: NT\$ 1,000

Name of Company Reinvested	Profit (Loss)	Reason	Improvement Plans
L&K Engineering Co., Ltd. (BVI)	83	Normal Operation	-
L&K Engineering (SUZHOU) Co., Ltd.	677,759	Normal Operation	-
RSEA Construction Engineering (Chongqing) Co., Ltd.	(32,106)	Decline in operating revenues	-
L&K Engineering Vietnam Co., Ltd.	5,676	Normal Operation	-
RSEA Engineering Corporation privatized 2009	48,674	Normal Operation	-
Unique Grand Limited	(78,237)	Investment incubation period	-
L&K Engineering Company Limited	59,511	Normal Operation	-
Suzhou Xiang Sheng Trade Company Ltd.	(7,666)	Decline in operating revenues	-
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	373	Business development in progress	-
Sunshine (China) Inc.	(61,419)	New field expansion	-
Sunshine Investment Co., Ltd.	(40,453)	New field expansion	-

(III) Reinvestment plan for the coming year: None.

vi. Risks

- (I) The effects of interest and exchange rate fluctuations and changes in the inflation rate on the company's profits (losses) in the most recent year, and response measures to be taken in the future:
1. The Company controls interest and exchange rate fluctuation risks by making advanced planning of the amount of capitals needed and when they are needed. In addition, relevant capital allocation and investment strategies are established to ensure stable generation of non-operating revenues and to reduce any potential losses on currency exchange.
  2. Regarding increase in inflation rate, the Company's purchasing unit regularly checks the inflation and deflation of goods that concern us and makes orders in advance to reduce profit erosions when inflation occurs. The Company also upholds the principle of "waste reduction" as part of our business ideals and reduces errors and resource abuse in order to generate stable profits.
- (II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The Company provides endorsements and guarantees to assist its subsidiaries in obtaining loans from banks and conducting business activities. Matters relating to endorsements and guarantees are handled in accordance with applicable laws and regulations as well as the Company's Guidelines for the Management of Endorsements and Guarantees.

- (III) R&D work to be carried out in the future, and further expenditures expected for R&D work:

Based on the group's development as a whole, the following R&D works will be carried out in the future:

Unit: NT\$10,000

Future R&D Plans	Description	Expected R&D Spending
The development and application of lightweight constructions	Based on the development result of 2022, starting the validation of customer side application	1000
The development of zero-air-release alkali-removal chemical filters	Due to the requirement for AMC when building high-end semiconductor plants, we developed the zero-air-release alkali-removal chemical filter to reduce costs for constructions.	400
Development of AMC Design Technique for Cleanroom	Considering the requirement of AMC for FAB construction of advanced semiconductor, we develop AMC design technique to enhance competition.	400

- (IV) Effect of important policies adopted and regulatory changes at home and abroad on the company's financial operations, and measures to be taken in response: None.
- (V) Effect of developments in science and technology as well as industrial change on the company's financial operations, and measures to be taken in response: None.
- (VI) Effect of changes in the company's corporate image on the company's crisis management, and measures to be taken in response: None.
- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and response measures: None.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and response measures: None.
- (IX) Risks associated with any consolidation of sales or purchasing operations, and response measures:

The Company's service relationships with project owners are handled on a project basis. Compared to the general manufacturing sector, the Company serves different clients all the time. Construction schedules are stipulated in the contracts of the projects the Company undertakes. Construction works are carried out as scheduled unless special circumstances occur. Therefore, when the Company completes a high-priced project, the service revenues for that period generate concentration of a certain client. However, the Company is able to disperse any risks of industry concentration because of its simultaneous involvement in general construction, biotech pharmaceutical, optoelectronics, semiconductors, and solar energy industries.

The Company leverages its expertise in overseeing and managing engineering works and in using technologies, as well as years of practical experience to provide major companies with engineering services, which enabled us to not only establish an excellent word of mouth and forge a longstanding cooperative relationship, but also build a strong database of knowledge on professional engineering services.



- (X) Effects on company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a ten percent stake in the company has been transferred or has otherwise changed hands, the risks involved, and response measures: None.
- (XI) The effect of any change in governance personnel or top management on the company, the risks involved, and response measures: None.
- (XII) Litigious and non-litigious matters:
1. List major litigious, non-litigious or administrative disputes, in the most recent year and up to the date of publication of the annual report, that involve the company and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the current status of the dispute:
    - (1). When Feng-Tian Construction Engineering Co., Ltd. undertook the “National Yang Ming Chiao Tung University Hospital Construction, Renovation, and MEP Turnkey Project (Dry Wall Ceiling and Dry Wall Installation)”, it had a dispute over the final payment amount of the project. On March 7, 2017, Feng-Tian requested the Company to pay NT\$24,887,471 for the project by filing a complaint to Taipei District Court. On January 2, 2020, Feng-Tian filed for a payment order with Shilin District Court over the aforementioned retention fee, and the case was considered to be in litigation after the Company made the objection. The case of payment order was also moved to Taipei District Court, under the judgment of the same judges from the same court of the previous case. In both cases, the court deemed an analysis necessary and requested Taipei Association of Civil Engineering Technician to perform analysis. However, results of the analysis is unfavorable to the Company, so the Company intends to dispute its content. In a court session on October 27, 2022, the court advised both parties to settle the case. After both parties reported that there was still the chance of settlement, the case was moved to the mediation proceeding on December 27 of the same year. On March 17, 2023, the judge of the mediation courts advised the Company to provide proof of distinction between the construction scope of substitute workers and Feng-Tian’s construction scope. The next mediation will be on May 19, 2023.
    - (2). Royal Family Construction Engineering Co., Ltd. (hereinafter as “RF Construction”) was commissioned to undertake a project of RSEA Engineering Corporation, the “Taishan-Linkou Section of National Freeway No. 1 from Wugu to Yangmei C903 Widening Project: RC Pier-Type Rebar Processing, Erection and Tying, System Module Assembly and Disassembly (A)”. RSEA Engineering terminated its contract with RF Construction due to breach of contract. However, RF Construction did not return the extra rebars it had collected and still failed to do so despite two attempts, in which RSEA Engineering sent two letters urging RF Construction to return the rebars. Therefore, RSEA Engineering filed a lawsuit on July 25, 2013 requesting RF Construction and its material collectors to return the aforementioned rebars. If payment cannot be made, the plaintiff shall be paid NT\$5,690,000 plus the statutory interest for default. This amount has been revised to NT\$4,877,000. The main disputes involved in this case were whether the contract was terminated by mutual or unilateral agreement and whether the quantity of rebar scraps to be returned and the amount claimed by RF Construction to offset the unpaid project cost are reasonable. This case is currently under adjudication by Taipei District Court in accordance with 2013 Jian-Zi No. 288. Taipei District Court ruled on April 23, 2015 that RF Construction shall pay RSEA Engineering NT\$3,090,000. RF Construction denied the ruling and filed an appeal. RSEA Engineering responded by filing an incidental appeal

against RF Construction for the loss of NT\$1,787,000. RF Construction applied for an analysis during the proceeding. This case is currently adjudicated by the High Court in accordance with 2015 Chien-Shang-Zi No. 55. A ruling of this case was made on December 7, 2021, achieving a partial victory and a partial defeat. RF Construction is required to pay RSEA Engineering Corporation NT\$3,186,145 for the rebars and NT\$568,997 for the rebar management fee received in excess of 10%, plus interests on both payment, which shall be calculated from August 2, 2013. However, the request for the return of overtime wages paid of NT\$304,400 which was granted in the original judgment, and for the return of salary expense of NT\$ 817,830 paid for June and July which was appealed for in the court of second instance, was denied. The court of second instance ruled that RF Construction shall pay NT\$3,755,142, which was NT\$664,840 more than the amount granted in the court of first instance. RF Construction petitioned for an appeal to the court of third instance on January 5, 2022, and the judgment of the High Court was reversed and remanded by the Supreme Court. The case is currently adjudicated by the High Court in accordance with 2022 Chien-Shang-Geng(1)-Zi No. 19.

- (3). RSEA Engineering undertook the “Port of Taipei Waterway Turning Basin Deepening Project – Subsequent Works” and asked the TIPC Taipei Port Branch Office to request Party A to calculate the cost and reasonably extend the construction schedule according to the actual quantity of dredged content or change in construction methods, and to calculate the cost and reasonably extend the construction schedule according to the quantity of dredging works which cannot be avoided in practice but the designed water depth is 50 cm less than that handled in accordance with the contract. On August 14, 2019, RSEA Engineering received the letter of second mediation and recommendation from the Public Construction Commission, obtaining a 58-day construction period extension, and conciliation was reached at NT\$48,622,655 after converting the default penalty. Regarding the rest of the invalid parties and request for penalty reduction, a civil lawsuit was filed with Taipei District Court, requesting a payment of NT\$168,803,322. Currently, both parties have not yet conciliated (Case No.: 2020 Jian-Zi No. 151). In accordance with the court’s letter of instruction and content of evidence from investigation, the Company submitted a pleading in preparation of civil lawsuit, clarifying why the principle of ne bis in idem does not apply and the original request should be maintained. A ruling was announced on October 31, 2022, stating that the plaintiff (RSEA Engineering) won the case, and the defendant is required to pay the plaintiff a sum of NT\$50,754,513, plus interests accruing at 5% per annum from October 29, 2019 until the day the payment is made. Three-tenth of the litigation costs shall be borne by the defendant, and the remaining is to be borne by the plaintiff. Other claims of the plaintiff are dismissed. On December 5, 2022, the defendant petitioned for an appeal; the court session for this case was held on March 24, 2023 and the case currently being adjudicated by Taiwan High Court.
- (4). RSEA Engineering filed a lawsuit against Taidevelop ID Tech Co., Ltd., a contractor of Linkou Power Plant, requesting for a refund of NT\$49,481,353. Later, because the enforcement on that company’s property failed, RSEA Engineering filed for the court auctioning of the mortgaged property of the mortgagee Nai-Kai Wang (the former president of Taidevelop ID Tech Co., Ltd.). Wang filed an interlocutory appeal against this ruling. This appeal was dismissed by Kaohsiung District Court and the High Court Kaohsiung Branch Court. Wang denied this ruling and then filed another lawsuit to confirm that the mortgage creditor’s rights is nonexistent and another lawsuit to subrogate request for remuneration for hire of work. Qiaotou District Court indicated that a ruling for confirmation of nonexistent mortgage right (Case No. 2017 Zhong-Su No. 9) can only be made after a ruling is made for the remuneration for hire of work; therefore, the court ruled

that the litigation for confirmation of nonexistent mortgage right shall be temporarily suspended. With regard to the subrogate request for remuneration for hire of work, Qiaotou District Court deemed it as outside of its jurisdiction and moved the case to New Taipei District Court (Case No. 2018 Jian-Zi No. 112) for further adjudication. A stay of litigation proceeding is currently in effect.

- (5). With respect to the “Linkou Power Plant Renewal & Extension Project Basin Dredging and Reclamation of Taipei Port South Pier Zone Z” which was undertaken by RSEA Engineering, following mediation and recommendation by the Public Construction Commission, both parties mutually agreed to terminate the contract (Diao No. 1050040). The following cases were filed to address the disputes between both parties:
  - (5.1). A civil case was filed for the cost of the Linkou Power Plant Renewal & Extension Project Basin Dredging and Reclamation of Taipei Port South Pier Zone Z (Case No.: 2017 Jian-Zi No. 87), requesting Taiwan Power to pay a total of NT\$1,338,838,942 for works carried out from May 29, 2015 to the termination of the contract on August 8, 2017. This case is currently under adjudication by Shilin District Court. After the third meeting of forensic accounting on September 23, 2020, the analysis center submitted an analysis report on January 18, 2022. Court proceedings for the case resumed. The court of this case ordered both parties to provide their opinions on the analysis report in writing. The next court dates are scheduled on April 13, 18, and 25 of 2023.
  - (5.2). With regards to caisson dredging and cost of waiting to start work on the Linkou Power Plant Renewal & Extension Project Basin Dredging and Reclamation of Taipei Port South Pier Zone Z, civil litigation was filed (so to avoid the passing of a claim’s prescription), requesting Taiwan Power to pay a total of NT\$29,047,333 for works carried out. This case was Case No. 2018 Jian-Zi No. 102 and was lost in the trial of the first instance. Currently an appeal has been made with Taiwan High Court; the Case No. was 2019 Min-Di-Gu-Jian-Shang-Zi No. 15. On December 24, 2020, Taiwan Power replied the High Court that it disagreed with the solution. Oral argument for this case was initiated multiple times at the court's command. RSEA Engineering was defeated in the court of second instance. RSEA Engineering petitioned for an appeal to the court of third instance on September 14, with the correction procedure to take place on October 4. Afterwards, the Supreme Court reversed and remanded this case for further adjudication. The case is currently being adjudicated by the Civil Court of the High Court. The High Court ordered both parties to submit their statements by April 20, 2023.
- (6). Whereas, on June 19, 2018, the Company’s subcontractor Cheng-Lian Technology Co., Ltd. transferred its contractual rights and duties with the Company to Xi-Hui Machinery Co., Ltd. In January of 2019, the creditor of Cheng-Lian, Tung-Mao Hsu, filed a motion with Taipei District court, requesting for confirmation of the existence of Cheng-Lian’s NT\$4,044,361 rights to the Company. Shihlin District Court ruled on August 12, 2019 that the judicial act of transferring such rights between Cheng-Lian and Xi-Hui is void and that Cheng-Lian’s aforementioned rights to the Company exists. The Company filed an appeal to Taiwan High Court on August 26, 2019. The High Court ruled in favour of the Company on April 22, 2020, confirming that the judicial act of transferring such rights between Cheng-Lian and Xi-Hui is valid. Tung-Mao Hsu filed an appeal to the Supreme Court on May, 21, 2020. On March 31, 2021, the court ruled that the original second-instance judgment shall be reversed and remanded to the High Court for further adjudication. On February 1, 2023, in the court session, the opposing party called Shao-Yu Hsu, the responsible person of Cheng-Lian Company, and the accountant of Cheng-Lian Company to provide testimonies. The Company was also allowed to call two witnesses to confront Shao-Yu Hsu. During the court session on March 17, 2023, the judge instructed that the preparatory proceeding will be concluded after the issues are coordinated. The next court

session will be held on May 12, 2023.

- (7). Xuan Yuan Enterprise Ltd. undertook the Company's projects "TSMC F15P7 MEP Package-Electric Panel Positioning and Installation", "TSMC F15P7 MEP Package-FAB L20-LRF Lighting, Sockets and Refuge Project (7A)", and "TSMC F15P7 MEP Package-Road Lights and Street Lights Project". There were events of default such as the early termination of construction and defects in construction, causing damage to the Company. The Company filed a lawsuit on April 25, 2019 with Taipei District Court, requesting for compensation of NT\$12,699,744 from Xuan Yuan and its guarantor. On March 24, 2022, the court of first instance ruled that the defendant Xuan Yuan and its guarantor shall jointly pay the Company NT\$2,809,571 plus interests. Both parties filed appeals afterwards. However, on November 14, 2022, the Company received the court's notification, informing that Xuan Yuan's appeal was dismissed because it didn't pay the appeal fees. To make the judgment final as soon as possible to facilitate the compulsory enforcement on Xuan Yuan, the Company also withdrew its appeal on December 28 of the same year. On March 24, 2023, the Company received the certificate of final ruling for the court of first instance. The Company will file for the compulsory enforcement on Xuan Yuan's property after it investigates the conditions of the property of Xuan Yuan and its guarantor.
- (8). RSEA Engineering and the Company jointly undertook the ACL212 Kaohsiung Railway Underground Project. Because Xuan Yuan and the Company have disputes over the construction fees in the tsmc project and Xuan Yuan refuses to perform its obligations in this project, the Company presented Xuan Yuan's promissory note for the guarantee of performance of this project. Xuan Yuan filed a lawsuit against the Company to confirm that rights under the promissory note is nonexistent with Kaohsiung District Court. Facts behind issues of this case are related to another case (the (8)th case), so Kaohsiung District Court is currently halting the proceeding. After that case is finalized, the proceeding for this case will be resume. On March 24, 2023, the Company received the court's notification, informing that Xuan Yuan withdrew its filing of complaint. After the Company receives the court's notification on the closing of this case, the Company will file for the compulsory enforcement on Xuan Yuan together with case (7).
- (9). Asia Star Engineering Co., Ltd. undertook RSEA Engineering's project "ACL212 Kaohsiung Railway Underground (Cut and Cover Construction) Project - Taiwan Railway Station Power Trunk Line and Cable Tray Installation". Investigations revealed that RSEA Engineering overpaid Asia Star and Asia Star stopped the construction before it was completed. RSEA Engineering filed a lawsuit on December 4, 2019 with Taipei District Court, requesting Asia Star to refund the excess of NT\$26,659,532. On March 18, 2022, the court of first stance ruled that the Company prevailed this case, and the defendant Asia Star shall pay the Company NT\$23,811,601 and interests. Afterwards, Asia Star filed an appeal on April 8, 2022 to the High Court. On March 14, 2023, the court announced that the oral argument of the second instance was finished. The ruling of the court of second instance was scheduled to be announced on April 18, 2023.
- (10). Jan de Nul Group (hereinafter as "JDN") undertook RSEA Engineering's project "Port of Taipei Waterway Turning Basin Deepening Project – Subsequent Works" to continue completing the remaining dredging works in place of the subcontractor Bang Zhou Marine Engineering Co., Ltd. During this period, both parties disputed over the cost of the project due to the quantity of dredging and for other reasons and failed to reach an agreement despite several attempts between October 2017 and September 2018. On October 29, 2018, JDN applied for arbitration with the Singapore International Arbitration Centre (SIAC) in

accordance with the arbitration clauses of the contract between both parties and requested for a payment of €4,056,443.95 (equivalent to NT\$143,850,832.08). On February 28, 2019, the case was scheduled for arbitration by the court of arbitration. The pre-hearing schedule meeting was originally scheduled to be held on February 7, 2020 and the oral evidential hearing on February 17 to 21. After the oral evidential hearing, the case will be given to the court of arbitration for arbitration award. Due to COVID-19, the oral evidential hearing for this case was moved to April 19, 2021. The oral evidential hearing was completed on April 23, 2021. According to the order of arbitral tribunal, the closing statement, list of litigation costs, and a statement in response to the opposing party's closing statement shall be submitted. The conclusion of the arbitration adjudication proceedings for this case was on November 19, 2021. The arbitration award ruled that RSEA Engineering shall pay €4,300,106.81, 10% of the arbitration fees, NT\$454,821 plus 5.33% default interests of the aforementioned items calculated from the date the award letter was received to the date of settlement. To reduce interests accrued by late payments, the Company has settled all payments together with interests on June 22, 2022. The Company has appointed lawyers in Singapore to file for the dismissal of arbitration award with the Singapore court. On March 15, 2023, the preliminary opinions issued by the court of arbitration dismissal was received, stating that the Company's claim to dismiss the arbitration award was without merit, and that the court is now calculating the distribution of litigation fees for arbitration judgment dismissal. The Company will pay the litigation fee according to the court's notification, and then consider whether it will file an appeal before the deadline to appeal.

- (11). The Company undertook the "National Kaohsiung Center for the Arts Special Equipment Project" which was commissioned by the Ministry of Culture of Taiwan. The Company filed for arbitration with the Taiwan Arbitration Association on September 22, 2020 because the Ministry of Culture improperly deducted the delay penalty of NT\$236,000,000. The Company requested the confirmation of no event of delay in this project and the Ministry of Culture's obligation to return the aforementioned amount of money. On August 31, 2022, the Taiwan Arbitration Associate made the arbitration award, ruling that there was no even of delay in this project, and the Ministry of Culture shall pay liquidated damages for delay, totaling NT\$237,796,839 plus the interests to the Company. The Ministry of Culture claimed that the arbitration award was against the parties' agreement, so it filed a litigation to dismiss the arbitration award with Shilin District Court on October 11, 2022. On December 12, the court moved the case to the mediation proceeding. However, the solution proposed by either the Company or the Ministry of Culture was not accepted by the other party. As a result, the Company is still having internal discussion regarding the next step. The next mediation date was schedule on May 16, 2023.
- (12). The Company undertook the "National Kaohsiung Center for the Arts Special Equipment Project" which was commissioned by the Ministry of Culture of Taiwan. The Company filed a lawsuit with New Taipei District Court on December 1, 2021, requesting a payment of NT\$94,619,600 (which was later expanded to NT\$128,714,372) from the Ministry of Culture for additional expenses such as management fees arising from extension of construction period. In this case, the proceeding was agreed by both parties to halt for 4 months from July 15, 2022 because the parties intended to wait for the arbitration result of case (11). The litigation was resumed on November 16, 2022. The court session date is not decided yet.
- (13). The Company undertook the "National Kaohsiung Center for the Arts Special Equipment Project" which was commissioned by the Ministry of Culture of Taiwan. The Company filed a lawsuit with New Taipei District Court on December 1, 2021 to request a payment of NT\$629,459,715 (which was later expanded to NT\$922,653,026) from the Ministry of

Culture for return of improper deductions, unpaid additional costs of changes and other damages. New Taipei District Court ruled on February 7, 2022 to have the case moved to Kaohsiung District Court. After each of the Company and the opposing party filed an appeal respectively, on March 25, 2022, the High Court ruled the reversal of the original ruling. The case therefore remains under the jurisdiction of New Taipei District Court. During the first court session on November 17, 2022, the court decided that the proceeding shall start with the deductions due to environmental factors. Afterwards, each of the PCM and the supervision unit filed a letter respectively to express their intention to participate in this case. The next court session will be held on May 29, 2023.

- (14). RSEA Engineering undertook the Talin Power Plant coal storage turnkey project, during which a dispute over rent payment for steel sheet piles occurred between RSEA Engineering and its subcontractor Xusheng Construction Engineering Co., Ltd. On August 22, 2019, Xusheng filed a civil lawsuit against the Company, requesting us to pay NT\$10,668,129 for the cost of the project. The preparatory proceeding was concluded on January 14, 2021, after that both parties submitted a supplementary complaint in accordance with the judge's court order. A ruling of this case was made on May 24, 2021. RSEA Engineering was defeated and shall pay Xusheng an amount of NT\$7,565,907 for the construction work. Plaintiff Xusheng petitioned for an appeal; the Case No. is 2021 Jian-Shang-Zi No. 41. A ruling of this case was made on June 12, 2022. Besides the NT\$7,560,000 that RSEA Engineering shall pay in accordance with the judgment of the first instance, RSEA Engineering shall pay another NT\$1,472,757, plus interest accruing at 5% per annum from August 24, 2019 until the day the payment is made. Other appeals and the appellee's incidental appeal are dismissed. The appellee shall bear the litigation fee for the dismissed part of the first instance. As for the litigation fee of the second instance for the appealed part, the appellant shall bear 15% of it, and the remaining shall be borne by the appellee. The appellee shall bear the costs of the incidental appeal. Regarding this case, the Company has paid for the loss of the second instance. The case is closed.
- (15). CTCI Smart Engineering Corp. undertook the plumbing and environmental control EPC works in the Company's Sanying Line Metro System Turnkey Project. Later, CTCI requested for contract termination due to construction delays. CTCI asked us to return two performance bonds with total face value of NT\$117,890,000 and filed a motion for provisional injunction. After we requested CTCI to file a lawsuit within the time limit in writing, CTCI filed a lawsuit with Taipei District Court to return the performance bonds. During the litigation process, CTCI moved out of the Sanying Line construction site. We sent a notice of termination on May 20, 2020, and a letter to Mega Bank on May 25, 2020, notifying the bank to exercise CTCI's advance payment bond. On May 26, 2020, Mega Bank remitted the advance payment bond and interest, totaling NT\$136,564,264 to us. A ruling was announced on December 31, 2020 at the court of first instance, stating that RSEA Engineering shall return CTCI's performance bonds. After judgment was received on January 13, 2021, an appeal was filed on January 29, 2021, and reason for appeal was submitted on May 12, 2021 (Case No. 2021 Chong-Shang-Zi No. 262). The court of second instance, High Court, ruled that the judgment of the court of instance, ruling that we shall return the bonds, shall be dismissed. We won the case. The judgment letter was received on November 8, 2022. We had to wait until the expiration of CTCI's 20-days of appeal period to see how we were going to handle the case. CTCI's appeal letter was received on December 15, 2022, expressing that the judgment of second instance had wrong interpretation about the construction period stipulated in the contract and didn't sufficiently consider its defense. High Court requested us to submit a response letter within 15 days after receiving CTCI's letter. We submitted a response letter to reply CTCI's letter on

December 26, 2022. In the response letter, we argued that CTCI's claims about misinterpretation of the contract and defense not being sufficiently considered did not imply that the judgment violated any laws and regulations, hence they could not be the reasons to appeal to the court of third instance. Up until now, we have not received CTCI's response letter.

- (16). CTCI Smart Engineering Corp. undertook the plumbing and environmental control EPC works in the Company's Sanying Line Metro System Turnkey Project. CTCI claimed that the scope of the contract does not include "pipe embedment operations" and "CSD/SEM drawings". Therefore, CTIC filed a lawsuit requesting for a payment of NT\$58,762,728. This case has entered Taipei District Court (Case No.: 2021 Jian-Zi No. 12). The next court session is scheduled for November 10, 2021. The court instructed both parties to submit a pleading summarizing their arguments two weeks before the court session. Because plaintiff CTCI indicated that they are still putting together the relevant expenditure receipts, the court stayed the case pending further review. There is still a dispute on the amount of construction remuneration proposed by CTCI in this case, so both parties agree to submit it to Taiwan Professional Electrical Engineers Associate R.O.C. for analysis. The pre-analysis quotation meeting was held on November 1, 2022. CTCI had to submit documents relevant to the scope being analyzed to facilitate the analysis. If an on-site examination is necessary, the time of the examination will be scheduled after confirmation.
- (17). In the Taipei Metro Wanda-Zhonghe-Shulin line (Phase I) CQ850 Construction Project, Kortec International Co., Ltd. is the distributor of tunnel boring machines. Initially, we signed a contract for the transport, assembly, and installation of the tunnel boring machines. Later, Kortec was unable to perform the contract and signed a termination agreement on March 29, 2019. Kortec agreed to pay us NT\$868,585 (tax incl.), which was 10% of the contracted amount, and then later after receiving the service fee from China Railway Construction Heavy Industry Co., Ltd., Kortec will pay us another NT\$2,214,000 (tax incl.) and NT\$2,438,065 (tax incl.) to compensate for our losses. Kortec has paid us NT\$868,585 (tax incl.), but not the NT\$2,214,000 (tax incl.) even after receiving a notice of payment from us and having received payment from China Railway Construction Heavy Industry on May 25, 2020. Following negotiations between both parties, Kortec indicated that it no longer intends to make payment in accordance with the termination agreement. Current negotiations yielded no outcome. We plan to seek dispute resolution with Taipei District Court as per agreement. After court coordination was unsuccessful, an attorney was appointed to submit a letter of civil complaint to Taipei District Court. Despite a mediation arranged by the court, consensus was not reached, and litigation proceeding was initiated for resolution. At present, both parties have presented disputed and non-disputed matters which are awaiting confirmation. Oral argument shall be concluded if no more investigational evidence is required. RSEA Engineering won the lawsuit according to first-instance result. Kortec has filed an appeal (Case No.: 2021 Jian-Zi No. 244). On January 11, 2023, the court of second instance notified that Kortec's appeal was dismissed. Kortec petitioned for an appeal to the court of third instance before the deadline of appeal period. The court notified us in writing that the case was transferred to the Supreme Court for its judgment currently.
- (18). The Company, RSEA Engineering and Ricky Liu & Associates Architects+Planners jointly undertook the "National Biotechnology Research Park Construction Project (EPC)", which was commissioned by the ACADEMIA SINICA. Regarding the delay penalties improperly deducted by the ACADEMIA SINICA, totaling NT\$1,802,000,000, the contractors filed a

lawsuit with Shilin District Court on July 12, 2021. The contractors claimed that ACADEMIA SINICA did not provide facilities that it shall provide, so there was no event of delay and that the ACADEMIA SINICA shall refund the aforementioned penalty (which was later expanded to NT\$2,148,880,000 after adding the force majeure expenses and additional costs of changes). In addition, the contractors claimed that the construction period shall be extended for 515 days due to various reasons. The court sessions were held on June 6 and 7, 2022. The judge instructed that the case shall be moved to Tamkang University for analysis. On March 13, 2023, Tamkang University called the first analysis meeting. During the meeting, the examination unit requested both parties to provide proof relevant to issues coordination. The next meeting is scheduled on June 12, 2023.

- (19). RSEA Engineering and Taiwan Power Company undertook the “National Exhibition and Convention Center (Taipei Nangang Exhibition Center Expansion) Construction Project”. Taiwan Power claimed that RSEA Engineering completed constructions later than the scheduled date. RSEA Engineering claimed that the delay is not attributable to RSEA and that reasons for such delay have been provided. Therefore, RSEA Engineering requested Taiwan Power to refund the penalty of NT\$807,495,949 (tax incl.) for the delay and to pay the additional expense of NT\$165,940,042 (tax incl.) incurred from the extension of the construction period, for a total of NT\$975,199,411 (tax incl.). This case, 2020 Jian-Zi No. 16, is currently pending in Shilin District Court. Following the court’s adjudication, it was moved to Research Development Center of Construction Law for analysis. A second meeting of analysis and statement of opinion was held on October 20, 2021. Both parties exchanged pleadings in writing on the analysis matters, and the examination unit held a meeting to explain the analysis result on November 25, 2022. After the meeting, the examination unit sent the analysis result to the court. Now, we are waiting for the court’s notification and outcome is unknown.
- (20). RSEA Engineering and the Company jointly undertook ACL212 Kaohsiung Railway Underground Project. RSEA Engineering had a dispute with its subcontractor, Yangmen Development Co., Ltd., over the final project payment, and that the amount of payment received by Yangmen exceeded the amount that it entitled to receive. RSEA Engineering filed a lawsuit on April 19, 2019 with Taipei District Court, requesting Yangmen to refund the project payment of NT\$4,719,128. On July 29, 2022, the court of first instance ruled that Yangmen shall pay RSEA Engineering NT\$2,792,626. Because of the consideration of compulsory enforcement, RSEA Engineering didn’t appeal, and neither did Yangmen appeal. The certificate of final ruling of first instance for this case was issued on September 14, 2022. RSEA Engineering immediately file for the compulsory enforcement on Yangmen. On February 3, 2023, the court indicated that Yangmen’s property is now in the process of being appraised and auctioned.
- (21). RSEA Engineering and L&K Engineering jointly undertook the ACL212 Kaohsiung Railway Underground Project. Their subcontractor, PROJET TECHNOLOGY CO., LTD., had a dispute over the final project payment and additional costs of changes. On August 29, 2022, PROJET TECHNOLOGY filed a lawsuit with Kaohsiung District Court, requesting RSEA Engineering to pay the project payment of NT\$10,199,744. RSEA Engineering filed for a jurisdiction transfer because it claimed that this case shall be under Taipei District Court’s jurisdiction according to their contract. On January 9, 2023, Kaohsiung District Court ruled that the case shall be transferred to Taipei District Court. PROJET TECHNOLOGY filed an appeal, and High Court Kaohsiung Branch Court dismissed PROJECT TECHNOLOGY’s appeal on March 6. The case will be transferred to Taipei District Court.



- (22). Whereas, Hung Bao Engineering Co., Ltd. undertook the Company's project "TSMC F15 P7 MEP Package-Fire House Environmental Management System Engineering" and "TSMC F15P7 FAB B3G-B1F Fire Hydrant Pipeline (including Hydrant Box) Construction." There were events of default such as insufficient numbers of workers and early termination of the construction without any reason, causing damage to the Company. For example, the Company had to hire substitute workers for the project. Therefore, the Company deducted the damages from payments for the works Hung Bao completed and the right to Hung Bao in the Kaohsiung Station project assigned from RSEA Engineering. Afterwards, on March 18, 2021, Hung Bao filed a lawsuit with Taiwan Shilin District Court, requesting the Company to pay the project payment of NT\$5,000,000. However, because Hung Bao's affiliated company is currently contracting the Company's Kaohsiung Station project, there is still possibility for both parties to settle. Currently, the Company's director is negotiating with Hung Bao's responsible person. The court also ruled that the case shall be moved to the mediation proceeding. During the mediation meeting on March 28, 2023, the judge instructed that before judging on the topic of substitute workers, both parties shall confirm the precise construction scope of Hung Bao first. The next mediation will be on May 19, 2023.
- (23). RSEA Engineering and the Company jointly undertook the ACL212 Kaohsiung Railway Underground Project. Payments to Hung Bao Engineering Co., Ltd. for contracting this project have been finalized. However, the project payment had been deducted with Hung Bao's debt against the Company in another case (case (22)), so there is no remaining amount to be paid to Hung Bao. On December 15, 2021, Hung Bao filed a lawsuit with Taipei District Court, requesting RSEA Engineering to pay the final project payment. Because Hung Bao's affiliated company is currently contracting the Company's Kaohsiung Station project, there is still possibility for both parties to settle. The judge ruled that the case shall be consolidated with case (22) in the same mediation proceeding.
- (24). Subcontractor of the CE02 Project, Jinglin Technology Co., Ltd., owed its subcontractor Lianhe Generator Co., Ltd. money for the construction project. Lianhe Generator filed a motion for the seizure of Jinglin's payment to RSEA Engineering. Because Jinglin Technology has missed the deadline for the performance of CE02 contract and left and stopped working at the construction site without authorization, apart from overdue penalties, RSEA Engineering had to hire someone else to complete the unfinished works. Not enough money was left after relevant expenses were deducted from Jinglin's unclaimed payment according to the contract. Therefore, RSEA Engineering stated that Jinglin had no more payment collectible and settlement was not completed. Lianhe Generator rejected this claim, requesting Shilin District Court to confirm the existence of Jinglin's rights of project payment (Case No.: 2021 Chong-Su-Zi No. 229). The case is currently being adjudicated by Shilin District Court. On August 5, 2022, we submitted the documents related to the settlement between the Company and the plaintiff Jinglin and claimed in writing that after deduction, there was no more payment collectible for Jinglin, so there was no rights to be pledged. Lianhe Generator withdrew its filing on August 9, 2022 with a notification, and we expressed our consent in written form on August 12, 2022. This case shall already be closed because the court shall dismiss this case based on the plaintiff's withdrawal.
- (25). RSEA Engineering, in undertaking the Nanhua Dam Sediment Sluiceway Tunnel Construction Project, encountered an incident in which wear-resistant coating was destroyed during a water test. In light of this incident, RSEA Engineering requested a payment of NT\$194,000,000 (before tax) for restoration works from the main insurer

(along with other insurance companies), and sent a letter to the employer of the project, South Region Water Resources Office, requesting intervention with respect to the requested payment for restoration. Letter of civil complaint for this case was submitted to Taiwan Taipei District Court on September 22, 2021 (Case No.: 2021 Insurance-Zi No. 103). The case is currently being adjudicated by Taipei District Court. On January 4, 2023, it was confirmed that the examination unit for this case is tentatively decided to be the Hydraulic Laboratory of Cheng Kung University. The next court session was not scheduled yet. Afterwards, Cheng Kung University replied to Taipei District Court in writing, stating that it was unable to carry out the analysis. The court scheduled the court session on April 27, 2023 and outcome is unknown.

- (26). RSEA Engineering undertook the Sanying Line Metro Turnkey Project. An occupational incident involving three deaths and two casualties occurred on November 20, 2021 during the construction of support grouting. Negotiations with the families of the three deceased have been completed. A settlement of NT\$7,500,000 was reached with the family of one of the deceased Chin Hsing Lin, a Taiwanese worker, on February 21, 2022. The amount is to be settled in full by subcontractor Red Victory Co., Ltd. On March 24, 2022, a settlement of NT\$8,794,620 was reached for the death of Song-Nan Cheng, a Taiwanese worker. On March 29, 2022, a settlement of NT\$5,240,000 was reached for the death of a foreign worker, which was our employee. For the injured foreign workers, RSEA Engineering has reached the settlement with them in August, 2022, and settlement letters were signed. RSEA Engineering also assisted them in applying for injury claims granted by labour insurance. The Company has already settled with families of the injured or deceased in this incident. Procedures relevant to the claim of compensation are still pending.

Regarding criminal proceedings, the New Taipei District Prosecutors Office will summon employees of RSEA, President Chia-Ao Chang, Chief Supervisor Kuo-Feng Chang, Engineer Yu-Cheng Chuo, and Technician Chi-Chun Kuo for questioning on April 12, 2022. Lawyers Hsin-Ting Chuang and Ju-Chang You have been entrusted to assist. They will submit letters to file for deferred prosecution after receiving settlement letters. (Case No.: 2022 Zhen-Zi No. 6644).

- (27). RSEA Engineering undertook the National Exhibition and Convention Center (Taipei Nangang Exhibition Center Expansion) Construction Project. On July 24, 2018, an occupational death by electrocution occurred during the construction of fireproof roller shutter and waterproof gate. The deceased was Cheng-Che Lin, son of Yi-Yi Lin who is the person in charge of Chun You Engineering, which is the subcontractor of re-contractor SUNCUE Co., Ltd. Yi-Yi Lin and three other family members of the deceased sued RSEA Engineering, five engineers, and SUNCUE in a criminal proceeding for the offense of death caused by injury. On July 16, 2020, they also requested a compensation of NT\$11,659,781 from Taipower, RSEA Engineering and its five engineers, SUNCUE, Moh and Associates Inc., JJP Architects & Planners, and Continental Engineering Corporation.

Criminal aspect: On January 8, 2021, Taiwan Shilin Prosecutors Office made the non-prosecution decision (Case No.: 2020 Chen-Zi No. 3031, 2020 Chen-Zi No. 6593, 2020 Chen-Zi No. 18209). The complainants denied this decision and filed for a reconsideration of the ruling, so Taiwan High Prosecutors Office remanded the case for further investigation. After the further investigation of Taiwan Shilin Prosecutors Office, it made the non-prosecution decision on Ming-Hsien Hung, the Manager of Office Operation. Chief Supervisor Chung-Yi Li, Deputy Chief Supervisor Chun-Pin Yu, Manager of Health and Safety Shan-Pai Li and On-site Engineer Wen-Chuang Jung are prosecuted with the offense of negligent homicide. This case is currently under adjudication by Taiwan Shilin District Court. (Case No.: 2022-Year-Shen-Su-Zi No. 322)

Civil aspect: After several unsuccessful mediations, the case is currently pending adjudication by Taiwan Shilin District Court. The judge ordered to halt the proceeding before the result of examination in the criminal proceeding comes out. (Case No.: 2021 Chong-Su-Zi No. 92)

- (28). In 2019, RSEA Engineering and Mitsubishi Heavy Industries jointly contracted the third-phase construction project for Taichung Liquefied Natural Gas Storage Tank. On April 7, 2022, Taiwan Power sent a letter to terminate the contract, claiming that it was unable to perform the obligations due to force majeure events. Several negotiations among RSEA Engineering, together with Mitsubishi Heavy Industries, and Taiwan Power regarding the compensation for termination of the contract yielded no outcome, so it shall be handled according to the dispute resolution procedure. Mitsubishi Heavy Industries plans to file for mediation with the Public Construction Commission. We will participate in the proceeding if the Public Construction Commission considers it necessary for the joint contractor to file for mediation together. On November 9, 2022, after a meeting with Mitsubishi Heavy Industries, we sent an amended agreement to them for their opinions. We have already prepared the application letter. During the second mediation meeting called by the Public Construction Commission on March 27, 2023, the member from the Public Construction Commission's mediation committee orally requested applicants Mitsubishi Heavy Industries and RSEA Engineering to supplement their claims in a letter, which shall be delivered to the Public Construction Committee before May 15, 2023, while the opposing party, Taiwan Power, shall reply before May 21, 2023. The next mediation meeting is scheduled on May 29, 2023.
- (29). After RSEA Engineering's subcontractor, Longcheng Company, was unable to continue the performance of its obligations, Longcheng and its subcontractors (including Jieyang Company) signed right transfer agreements for the transfer of the ownerships of steel materials purchased or processed by Longcheng to keep these materials. After transportation, examination revealed that there was a 250 tons of shortfall for steel materials. It mostly took place when the steel material was tentatively stored at Jieyang Company's material processing area. Regarding the shortfall of steel materials, the Company filed a criminal complaint for the offense of business embezzlement with Kaohsiung District Court, Prosecution Office. During the inquiry session on June 17, 2022, the prosecutor investigator requested the Company to provide proof regarding the amount of the embezzled steel material and transporting bills of lading. The Company has already informed the Southern Administration Center to immediately collect relevant information and provide it as the proof for the aforementioned case according to the prosecutor investigator's request. If it doesn't provide in time, the case will be closed by ways of signing off. Currently, we are still waiting for the Construction Department's response.
- (30). On July 5, 2022, RSEA Engineering received a letter of complaint from Quanguo Transportation, requesting the Company to pay the expenses for the transportation of steel material in CE02-1 Project according to the right transfer agreement between the Company and Longcheng Company. The Company defended with the court that the Company was not obliged to pay transportation expenses on behalf of Longcheng Company according to the right transfer agreement, and that the court with which the plaintiff filed its complaint, Qiaotou District Court, had no jurisdiction over this case. The court where the defendant is located in, Shilin District Court, shall be in charge of this case. However, when the notification of court session was received on November 22, 2022, the court by which the case was originally under adjudication hasn't made a ruling regarding the jurisdiction. On March 27, 2023, the court's judgment for this case was received. The case was won in the trial of first instance.

- (31). In the Nanhua Dam Sediment Sluiceway Tunnel Construction Project that RSEA Engineering undertook, the subcontractor undertaking the polyurea wear-resistant coating, Integral Technology, refused to return the Company's performance bond and pay the final project payment after Integral Technology used substitute material (EPOXY) to mend the damaged wear-resistant coating. Regarding this event, the Company submitted a letter of complaint on April 11, 2022, and the case is currently under adjudication by Taipei District Court. The first court session was on May 13, 2022. After both parties stating their opinions during the first session, the judge indicated that it would not stay the case by ruling, but it requested both parties to state whether they were willing to stay the case by consent. On June 17, 2022, each of the two parties stated its willingness to stay the case by consent respectively. On November 19, 2022, the appointed law firm notified that the judge has arranged the mediation session. The next mediation session is scheduled on May 12, 2023.
- (32). Regarding the dispute over the construction period of the Nanhua Dam Sediment Sluiceway Tunnel Construction Project that RSEA Engineering undertook, a complaint was sent to the Public Construction Commission, Executive Yuan after failed attempts of internal coordination and the mediation procedure of Ministry of Economic Affairs.
- Claims:
- I. This project shall be extended for an extra period as following:
    - (I) Extension of 307 days due to the construction hurdle in cofferdams.
    - (II) Extension of 137 days due to leaking of cofferdams, which influenced dredging construction in the blasthole of the sediment sluiceway tunnel.
    - (III) Extension of 116 days, the period when the sediment sluiceway tunnel was damaged and repaired.
    - (IV) Extension of 122 days due to the demolitions of obstacles in cofferdams.
    - (V) An additional 30-days of construction period for the enhancement of the height of the wear-resistant coating in the sediment sluiceway tunnel.
    - (VI) An additional 291-days of construction period for additional constructions of cross heading excavation and lining.
    - (VII) Extension of 204 days, the period when the wear-resistant coating was damaged and repaired due to the water test of the sediment sluiceway tunnel.
    - (VIII) According to Item 9(2) of Exhibit 6 of the Construction Contract, any non-working days within the period of the extended construction days shall be added to the above permitted extension days. Management fees for the extension of construction period shall be NT\$43,660,364.
  - II. The opposing party shall return applicants the delay penalty of NT\$669,183,025 (tax incl.) plus interest accruing at 5% per annum from one day after the opposing party was served with the copy of the mediation application letter till the payment date.
  - III. The opposing party shall pay applicants the management fees for the extension of construction period of NT\$41,964,066 (tax incl.) plus interest accruing at 5% per annum from one day after the opposing party was served with the copy of the mediation application letter till the payment date.
  - IV. The opposing party shall pay applicants the additional costs of changes of NT\$38,602,445 (tax incl.) plus interest accruing at 5% per annum from one day after the opposing party was served with the copy of the mediation application letter till the payment date.
  - V. The application was sent to the Public Construction Commission on June 20, 2022, and now the case is pending at the mediation proceeding of the Public Construction Commission, Executive Yuan. The Public Construction Commission proposed its recommendation for mediation, and both parties haven't reply to the

recommendation for mediation yet.

- (33). In the project CE02-1, Xinzicheng Engineering Company and RSEA Engineering signed a right transfer letter to assign Xinzicheng's claims and rights to rebars owned by RSEA Engineering's subcontractor Longcheng Company. As a result, Longcheng Company's original subcontractor Xinzicheng Engineering Company requested us to pay NT\$944,992 on behalf of them. For this case, the Construction Department was asked to clarify whether the steels were delivered to us for our use. Xinzicheng Engineering Company filed a lawsuit with the court of the place of performance, Tainan District Court, but we claimed that the jurisdiction shall be moved to Shilin District Court. On March 31, 2023, the court's judgment for this case was received. The case was won in the trial of first instance.

2. List major litigious, non-litigious or administrative disputes that involve any company director, supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and its affiliates and that have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None. (XIII)Other Major Risks and Response Measures:

Information Security Risk Assessment, Analysis, Description and Response Measures:

The Company has established a dedicated IT Department and Document Management Department to oversee the management of information security matters, including network firewall setup, regular information risk drills, training, and awareness campaigns, confidentiality of clients' and employees' information, and information backup.

- vii. Other Important Matters: None.

## VIII. Special Disclosure

### i. Information related to the company's affiliates

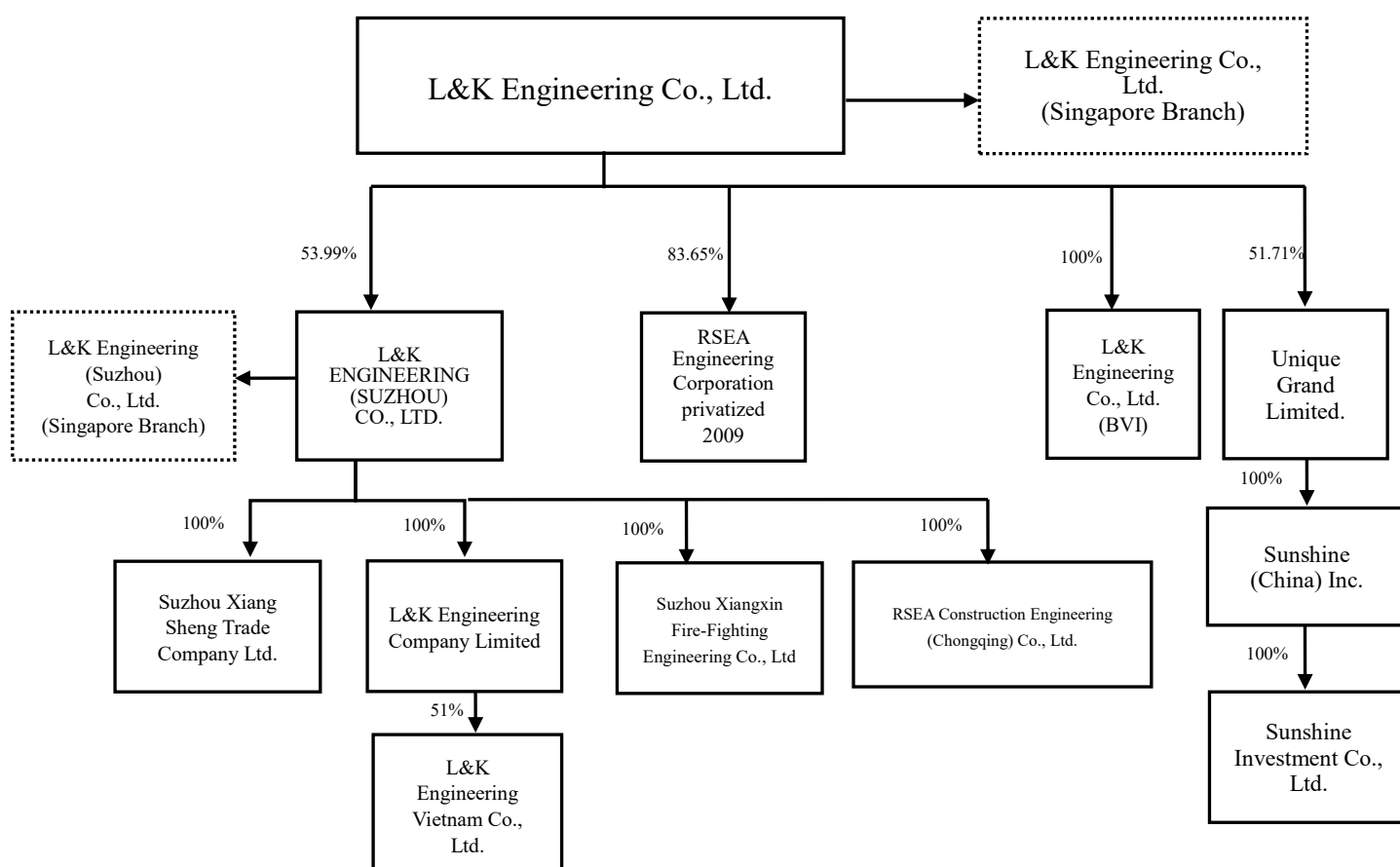
#### (I) Consolidated financial statements of affiliates

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 shall no longer prepare separate consolidated financial statements of affiliates.

#### (II) Consolidated Business Report of Affiliates

##### 1. Organization Chart of Affiliates

2022/12/31



## 2. Operational Highlights

Unit: NT\$ 1,000(Except EPS: NT\$)

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profits	After-tax profit and loss for the current period	After-tax EPS
L&K Engineering Co., Ltd. (BVI)	1,615	655,524	3,910	651,614	-	-2,686	83	—
L&K Engineering (SUZHOU) Co., Ltd.	941,131	11,117,463	5,820,924	5,296,539	12,000,763	738,519	677,759	0.71
RSEA Construction Engineering (Chongqing) Co., Ltd.	567,644	596,512	28,179	568,333	132,142	-38,959	-32,106	—
RSEA Engineering Corporation privatized 2009	3,228,411	14,365,478	10,734,879	3,630,599	12,628,146	68,257	48,674	0.15
L&K Engineering Vietnam Co., Ltd.	154,944	363,081	209,155	153,926	497,463	28,026	5,676	—
Unique Grand Limited	3,536,595	2,433,701	340,731	2,092,970	-	-477	-78,237	—
Suzhou Xiang Sheng Trade Company Ltd.	88,220	179,010	19,102	159,908	700	-10,403	-7,666	—
L&K Engineering Company Limited	153,600	355,514	83,266	272,248	273,489	56,953	59,511	—
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	88,220	31,745	-	31,745	-	-3	373	—
Sunshine (China) Inc.	3,065,856	2,809,235	1,068,657	1,740,578	-	-21,954	-61,419	—
Sunshine Investment Co., Ltd.	2,329,008	2,436,221	666,594	1,769,627	-	-41,961	-40,453	—

### 3. Basic information

Unit: NT\$ 1,000

Company Name	Date of Establishment	Address	Paid-in capital	Scope of business
L&K Engineering Co., Ltd. (BVI)	1998.04.30	Tortola, British Virgin Islands	1,615	Import, export, purchase, sale.
L&K Engineering (SUZHOU) Co., Ltd.	2002.09.02	Suzhou Industrial Park	941,131	Cleanroom/germ-free room system accessories, and provision of architectural installations and decorations of clean/germ-free room, and other labor services.
RSEA Construction Engineering (Chongqing) Co., Ltd.	2007.03.13	Xiyongzhen, Shapingba District, Chongqing City	567,644	Cleanroom/germ-free room system accessories, and provision of architectural installations and decorations of clean/germ-free room, and other labor services.
L&K Engineering Vietnam Co., Ltd.	2008.05.22	Bình Thạnh, Ho Chi Minh City	154,944	Engineering management, procurement, construction, and all relevant business activities.
RSEA Engineering Corporation privatized 2009	2009.11.01	13F, No. 175, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	3,228,411	Metal structures and building component manufacturing, machine equipment manufacturing, automated control equipment engineering, machine installation, general constructions, investment in public constructions, and businesses that are not prohibited or restricted by laws and regulations, in addition to permitted businesses.
Unique Grand Limited	2007.05.02	Wanchai HK	3,536,595	Import, export, purchase, sale.
Suzhou Xiang Sheng Trade Company Ltd.	2008.07.08	Suzhou Industrial Park	88,220	Cleanroom and germ-free room purification systems, equipment and peripheral M&E systems, sale of instrumentation and control products, commission agency (except for auctions), import and export and related supporting services.
L&K Engineering Company Limited	2008.07.04	Wanchai HK	153,600	Import and export trading, client development, after-sales service.
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	2018.04.27	Suzhou Industrial Park	88,220	Fire-fighting constructions, maintenance, and sale of fire-fighting equipment.
Sunshine (China) Inc.	2010.02.24	Xingyizhen, Xinjin County, Chengdu	3,065,856	Land consolidation, development and construction of tourism and supporting service facilities, environmental sanitation and pollution prevention services and leisure services, construction and engineering technological services, and management consulting services.
Sunshine Investment Co., Ltd.	2012.11.26	Xingyizhen, Xinjin County, Chengdu	2,329,008	Investment in eco-travel and tourism; property and engineering management and consultation.



(III) Reports on Affiliations

The Company is not a subordinate company of another company as defined in the Affiliated Enterprises Chapter of the Company Act and is therefore not required to prepare a report on the relationship between itself and its controlling company.

- ii. Private placement of securities in the most recent year and up to the date of publication of the annual report: None.
- iii. Holding or disposal of shares in the company by the company's subsidiaries in the most recent year and up to the date of publication of the annual report: None.
- iv. Other matters that require additional description: None.
- v. Situations listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, which materially affect shareholders' equity or the price of the company's securities in the most recent year and up to the date of publication of the annual report: None.

## **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

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## 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

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**L&K Engineering Co., Ltd. and Subsidiaries**  
**Consolidated Financial Statements**  
**and Independent Auditors' Report**  
**For the Years Ended December 31, 2022 and 2021**

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**Tel: 886-2-2657-8998**

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The English financial statements were translated from the consolidated financial statements originally prepared in Chinese.

**L&K Engineering Co., Ltd. and Subsidiaries**  
**Consolidated Financial Statements**  
**and Independent Auditors' Report**  
**For the Years Ended December 31, 2022 and 2021**  
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## **L&K Engineering Co., Ltd. and Subsidiaries**

### **Independent Auditors' 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:

(1) 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.

(2) 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.



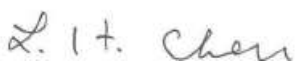
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If 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



March 10, 2023

Notice to Readers

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

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

**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	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Equity</b>				
<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 through profit or loss - current (Note 6(2))	192,358	-	302,292	1	2110 Short-term notes and bills payable (Note 6(16))	1,297,538	3	1,648,743	5
1140 Contract assets - current (Note 6(26)&7(2))	11,145,251	23	10,592,600	34	2130 Liabilities of contract - current (Note 6(26))	18,157,517	37	4,859,035	15
1150 Notes receivable, net (Note 6(3))	301,927	1	248,769	1	2150 Notes payable	191,903	-	189,413	1
1170 Accounts receivable, net (Note 6(3))	5,889,922	12	5,889,799	18	2170 Accounts payable	10,750,808	21	9,160,874	27
1200 Other receivables, net (Note 6(4))	30,820	-	81,497	-	2180 Accounts payable - related parties (Note 7(2))	273	-	1,605	-
1220 Current tax assets	249,758	1	27,079	-	2200 Other payables	716,694	1	481,033	1
130X Inventories, net (Note 6(5))	695,400	1	696,301	2	2220 Other payables - related parties (Note 7(2))	26,592	-	239,614	1
1410 Prepayments (Note 6(6))	10,879,088	22	2,363,329	7	2230 Current tax liabilities	284,274	1	133,242	-
1470 Other financial assets - current (Note 6(7))	4,562,367	9	3,373,857	11	2250 Provisions - current (Note 6(17))	259,780	1	213,147	1
1479 Other current assets	42,852	-	50,237	-	2280 Lease liability (Note 6(18))	77,544	-	10,938	-
11XX <b>Total Current Assets</b>	<b>43,935,897</b>	<b>89</b>	<b>27,755,043</b>	<b>87</b>	2320 Long-term borrowings - current portion (Note 6(19))	326,907	1	270,370	1
					2399 Other current liabilities	151,721	-	154,484	-
					21XX <b>Total Current Liabilities</b>	<b>34,273,602</b>	<b>69</b>	<b>18,923,361</b>	<b>57</b>
<b>Noncurrent Assets</b>					<b>Noncurrent Liabilities</b>				
1510 Financial assets at fair value through profit or loss - non-current (Note 6(2))	4,620	-	-	-	2540 Long-term borrowings (Note 6(19)&7(2))	1,331,719	3	1,467,845	5
1517 Financial assets at fair value through other comprehensive income (Notes 6(8))	315,431	1	353,984	1	2570 Deferred income tax liabilities (Note 6(30)(D))	276,936	1	176,973	1
1550 Investments accounted for using the equity method (Note 6(9))	-	-	-	-	2580 Lease liabilities - non-current (Note 6(18))	58,720	-	14,397	-
1600 Property, plant and equipment, net (Note 6(10))	847,439	2	749,636	2	2640 Accrued pension cost (Note 6(20))	29,512	-	40,571	-
1755 Right-of-use assets (Note 6(11))	2,827,594	6	2,724,863	8	2645 Guarantee deposits received	235,436	-	222,271	1
1760 Investment property, net (Note 6(12))	99,939	-	101,670	-	25XX <b>Total Noncurrent Liabilities</b>	<b>1,932,323</b>	<b>4</b>	<b>1,922,057</b>	<b>7</b>
1780 Intangible assets (Note 6(13))	31,128	-	20,401	-	2XXX <b>Total Liabilities</b>	<b>36,205,925</b>	<b>73</b>	<b>20,847,418</b>	<b>64</b>
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
1993 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	1,229,456	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>	3XXIX <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 : NT\$1,000

Items	Equity Attributable to Shareholders of the Parent										Noncontrolling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings		Accumulated Balances of Exchange Differences on Translating Foreign Operations	Other Equity					
				Special Capital Reserve	Unappropriated Earnings		Unrealized Gain/Loss on financial assets measured at fair value through other comprehensive income	Total				
Balance, January 1, 2021	\$ 2,255,409	\$ 2,847,935	\$ 1,198,672	\$ 369,111	\$ 1,424,255	\$ (365,790)	\$ (87,181)	\$ 7,601,421	\$ 1,635,680	\$ 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	-	-	-	-	321,406	-	-	321,406	2,769	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	107,682		
Total comprehensive income for the year ended December 31, 2021	-	-	-	\$ -	326,927	(19,462)	111,270	418,725	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	\$ 1,406,706	\$ (386,202)	\$ 24,089	\$ 7,794,615	\$ 1,587,890	\$ 11,392,505		

Item	Equity Attributable to Shareholders of the Parent										
	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings		Accumulated Balances of Exchange Differences on Translating Foreign Operations	Other Equity		Total	Noncontrolling Interests	Total Equity
				Special Capital Reserve	Unappropriated Earnings		Unrealized Gain/Loss on financial assets measured at fair value through other comprehensive income				
Balance, January 1, 2022	\$ 2,255,409	\$ 2,847,935	\$ 1,192,763	\$ 453,961	\$ 1,406,706	\$ (386,242)	\$ 24,089	\$ 7,794,615	\$ 1,587,490	\$ 11,392,505	
Appropriation of prior year's earnings:											
Legal reserve	-	-	32,699	-	(32,699)	-	-	-	-	-	
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	284,585	1,283,023	
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	7,367	154,075	71,227	234,609	54,550	289,159	
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,006,445	154,075	71,227	1,233,747	339,435	1,675,182	
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	\$ 1,225,466	\$ 362,153	\$ 2,132,806	\$ (231,024)	\$ 97,316	\$ 8,695,729	\$ 1,816,988	\$ 12,812,313	

(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 : NT\$1,000

	<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 : NT\$1,000

	<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	7,562,747	1,338,353
<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	(1,576,677)	624,599
<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	(362,007)	(614,399)
Effect of exchange rate changes	112,008	(49,230)
Net Increase (Decrease) in Cash and Cash Equivalents	5,736,071	1,299,323
Cash and Cash Equivalents at Beginning of Period	4,219,083	2,919,760
Cash and Cash Equivalents at End of Period	\$ 9,955,154	\$ 4,219,083

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

**L&K Engineering Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**  
**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

**1. Organization and Operations**

L&K Engineering Co., Ltd. (“the Company”) was incorporated in 1978. The Company is a professional engineering company that provides fully integrated turnkey engineering services for clean room construction projects, process utility system, electrical and mechanical engineering and other associated engineering projects.

The Company’s shares were listed on the Taipei Exchange (TPEX) since 2001.

The Company’s shares were listed on the Taiwan Stock Exchange (TWSE) since August 2003.

**2. The authorization of financial statements**

The accompanying consolidated financial statements were approved and authorized for issuance by the board of directors and issued on March 10, 2023.

**3. Application of new and revised International Financial Reporting Standards (IFRS)**

(1) The Group applied International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised, or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The new guidelines and the nature and description of the amendments, the initial application has no significant impact on the Group:

(2) Standards issued by International Accounting Standards Board (IASB) which are endorsed by the FSC, but not yet adopted by the Group effective from 2023 are as follow:

<u>New Standards or Amendments</u>	<u>The Main Amendments</u>	<u>Effective Date</u>
(a) Disclosure of Accounting Policies – Amendments to IAS 1	These are the amendments to paragraphs 69-76 of IAS 1 “Presentation of Financial Statement” related to the classification of liabilities as current or non-current.	January 1, 2023
(b) Definition of Accounting Estimates – Amendments to IAS 8	The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 “Accounting Policies”, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.	January 1, 2023
(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Group has assessed that the above standards and interpretations have no material impact on the Group.



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

New Standards or Amendments	The Main Amendments	Effective Date
(A) Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”	The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” (IFRS 10) and IAS 28 “Investments in Associates and Joint Ventures” (IAS 28), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 “Business Combinations” (IFRS 3) between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.	To be determined by IASB
(B) Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	The amendment adds seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.	January 1, 2024
(C) IFRS 17 “Insurance Contracts”	IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation, and disclosure requirements). The core of IFRS 17 is the General (building block) Model. Under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following: (a) estimates of future cash flows. (b) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows. (c) a risk adjustment for non-financial risk.	January 1, 2023

<u>New Standards or Amendments</u>	<u>The Main Amendments</u>	<u>Effective Date</u>
	The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.	
(D) Classification of Liabilities as Current or Non-current – Amendment to IAS 1	These are the amendments to paragraphs 69-76 of IAS 1 “Presentation of Financial Statement” related to the classification of liabilities as current or non-current.	January 1, 2023
(E) Non-current liabilities with covenants - Amendments to IAS 1	The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.	January 1, 2024

The Group has assessed that the above standards and interpretations have no material impact on the Group.

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

##### **(1) Statement of Compliance**

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, IFRIC and SIC interpretations as endorsed by the FSC.

##### **(2) Basis of Preparation**

(A) Except for the financial assets measured at fair value, the accompanying consolidated financial statements have been prepared under the historical cost convention.

##### **(3) Basis of Consolidation**

(A) Basis for preparation of consolidated financial statements

- (a) The consolidated financial statements comprised L&K Engineering Co., Ltd., and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date that control ceases.
- (b) Intra-group balances and transactions, and any unrealized income and expenses arising from the intra-group transactions are eliminated in preparing the consolidated financial statements.

- (c) Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.
- (d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. If such gains or losses would be reclassified to retained earnings when the related assets or liabilities were disposed of, all gain or loss previously recognized in other comprehensive income should be reclassified to retained earnings.

(B) The consolidated entities are as follows :

Name of investor	Name of investee	Percentage of ownership	
		December 31, 2022	December 31, 2021
The Company	L&K Engineering Co., Ltd. (BVI)	100%	100%
"	L&K Engineering (SUZHOU) Co., Ltd.	53.99%	53.99%
"	RSEA Engineering Corporation privatized 2009	83.65%	83.65%
"	Unique Grand Limited	51.71%	52.14%
L&K Engineering (SUZHOU) Co., Ltd.	Suzhou Xiang Sheng Trade Company Ltd.	100%	100%
"	L&K Engineering Company Limited	100%	100%
	RSEA Construction Engineering (Chongqing) Co., Ltd.	100%	100%
	Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	100%	100%
Unique Grand Limited	Sunshine (China) Inc.	100%	100%
Sunshine (China) Inc.	Xiang Sheng Investment Co., Ltd.	100%	100%
L&K Engineering Company Limited	L&K Engineering Vietnam Co., Ltd.	51%	51%

- (a) L&K Engineering Co., Ltd. (BVI) is mainly engaged in the business of imports and exports.
- (b) L&K Engineering (SUZHOU) Co., Ltd. is mainly engaged in the business of manufacturing and sales of air conditioners, ceilings, and compartments.
- (c) RSEA Construction Engineering (Chongqing) Co., Ltd. and is mainly engaged in the business of manufacturing and sales of air conditioners, ceilings, and compartments.
- (d) L&K Engineering Vietnam Co., Ltd. is mainly engaged in the business of manufacturing and sales of air conditioners, ceilings, and compartments.

- (e) RSEA Engineering Corporation privatized 2009 is mainly engaged in the business of engineering.
  - (f) Unique Grand Limited is mainly engaged in regular trade.
  - (g) Suzhou Xiang Sheng Trade Company Ltd. is mainly engaged in the business of imports and exports.
  - (h) L&K Engineering Company Limited is mainly engaged in the business of imports and exports.
  - (i) Sunshine (China) Inc. is mainly providing service of environmental sanitation and anti-pollution and constructional contract and managing consultation.
  - (j) Xiang Sheng Investment Co., Ltd. is mainly engaged in the investment, property, and construction management consulting.
  - (k) Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd. is mainly engaged in fire engineering construction, fire engineering maintenance and fire equipment sales.
- (C) Changes in equity of subsidiaries :
- (a) Cash-refund capital reduction of Suzhou Xiang Sheng Trade Company Ltd. was approved in the extra shareholders' meeting of L&K Engineering (SUZHOU) Co., Ltd. on May 31, 2021. The amount was RMB 80,000 thousand, and change of registration was completed on July 5, 2021.
  - (b) Debt-for-stock capital increase of Unique Grand Limited was approved on June 15, 2022. The amount was USD 14,387 thousand, total 14,387 thousand shares. The change-registration was completed on June 15, 2022. The Company did not subscribe in accordance with the shareholding ratio, causing the shareholding ratio was changed from 52.14% to 51.71%.
- (D) Being the Group's controlled entity, under 50% owned by the Group, was included in the consolidated financial statements: None.
- (E) Subsidiaries not included in the consolidated financial statements: None.
- (F) Adjustments for subsidiaries with different balance sheet dates: None.
- (G) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

#### **(4) Foreign Currency Translation**

##### **(A) Foreign currency transactions and balances**

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

##### **(B) Translation of foreign operations**

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into NTD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

#### **(5) Classification of Current and Noncurrent Assets and Liabilities**

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

The Group classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- (A) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (B) It holds the asset primarily for the purpose of trading;
- (C) It expects to realize the asset within twelve months after the reporting period; or
- (D) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- (A) It expects to settle the liability in its normal operating cycle;
- (B) It holds the liability primarily for the purpose of trading;
- (C) The liability is due to be settled within twelve months after the reporting period; or
- (D) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### **(6) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **(7) Financial Instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

##### **(A) Financial instruments:**

The Group accounts for regular way purchase or sales of financial assets on the trade date. The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of:

- the Group's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

(a) Financial assets measured at amortized cost

The Group's investment financial assets are classified as financial assets measured at amortized cost if they meet the following two conditions:

- (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured by amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost) are recognized in the original acquisition cost. After the amortization cost measurement, any foreign currency exchange gains and losses are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total book value of the financial assets, except for the following two cases:

- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

(b) Equity instrument investments measured at fair value through other comprehensive gains and losses The Group is able to make an irrevocable choice to invest in an equity instrument that is not recognized by the non-corporate mergers and acquisitions of the transaction, and is designated at fair value through other comprehensive gains and losses.

The investment in equity instruments measured at fair value through other comprehensive gains and losses is measured at fair value. Subsequent changes in fair value are presented in other comprehensive profit or loss and accumulated in other equity. At the time of investment disposal, the accumulated gains and losses are transferred directly to retained earnings and are not reclassified as profit or loss.

The dividends of the equity instruments that are measured at fair value through other comprehensive gains and losses are recognized in profit or loss when the Group's right to collect payments is established, unless the dividend clearly represents a portion of the investment cost.

(c) Financial asset measured at fair value through profit or loss

Financial assets that are measured at fair value through profit or loss are measured at fair value through profit or loss.

(B) Impairment of financial assets

The Group's impairment loss on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses at each balance sheet date. Accounts receivable are recognized for allowance losses based on expected credit losses during the duration of the period. Other financial assets are firstly assessed whether the credit risk has increased significantly since the original recognition. If there is no significant increase, the allowance loss is

recognized based on the 12-month expected credit loss. If it has increased significantly, it is recognized as the expected credit loss during the lifetime.

The expected credit loss is the weighted average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from the possible default of the financial instrument in the 12 months following the report. The expected credit loss during the lifetime represents the expected credit loss arising from all possible defaults of the financial instrument during the expected duration. The impairment loss on all financial assets is reduced by the allowance account.

(C) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

(D) Financial Liabilities and Equity Instruments

(a) Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

(c) Financial liabilities

Financial liabilities in the scope of IAS 39 are initially recognized at fair value through profit or loss or at amortized cost.

(d) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Excluding changes in own credit risk, gain or losses on the subsequent measurement including interest paid are recognized in profit or loss.

(e) Convertible bonds

The Group issued bonds payable embedded with conversion rights, puttable rights, callable rights, and the issuer shall classify the instrument, on initial recognition as a financial liability, a financial asset, or an equity instrument (capital reserve from stock warrants).

These bonds are accounted for as follows:

- (i) The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as "interest expense".
- (ii) The value of any derivative features (such as a call option and put option) embedded in the compound financial

instrument is recognized as “financial assets or financial liabilities at fair value through profit or loss”. These derivative features are subsequently remeasured and stated at fair value on each balance sheet date, and the gain or loss is recognized in “gain or loss on valuation of financial assets or financial liabilities”. At the maturity of redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the put option is recognized as “paid-in capital”; however, if the fair value of common stock is lower than the redemption price, the fair value of the put option is recognized as “gain or loss”.

(iii) A conversion option embedded in the bonds issued by the Group, which is convertible to an equity instrument, is recognized and included in “capital reserve from stock warrants”, net of income tax effects. When a bondholder exercises his/her conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) shall be revalued, and the resulting difference shall be recognized as “gain or loss” in the current period. The book value of the common stock issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of the stock warrants.

(iv) Costs incurred on issuance of convertible bonds are proportionately charged to the liabilities and equities of the underlying instruments based on initial recognition costs.

In the event that the bondholders may exercise put options within the following year, the underlying bonds payable shall be reclassified to current liabilities. The bonds payable whose put options are unexercised during the exercisable period shall be reversed to noncurrent liabilities.

(f) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(E) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(F) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.



## **(8) Inventories**

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

## **(9) Investments in Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Group also recognized its share in the changes in the associates and jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with associates, profits and losses resulting from the transactions are recognized in the consolidated financial statements only to the extent of interests in the associates that are not owned by the Group.

## **(10) Leases**

### **The Group as a lessor**

The Group recognizes lease payments from operating leases as rental income on a straight-line basis over the term of the lease.

### **The Group as a lessee**

Except for short-term leases (leases of machinery and equipment and others) which are recognized as expenses on a straight-line basis, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus an estimate of costs needed to

restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the balance sheets. Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers ownership of the underlying assets to the Group by the end of the lease terms or if the cost of right-of-use assets reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets. Lease liabilities are measured at the present value of the lease payments. Lease payments comprise fixed payments, variable lease payments which depend on an index or a rate and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted using the lessee's incremental borrowing rates.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the assessment of an option to purchase an underlying asset, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. Lease liabilities are presented on a separate line in the balance sheets. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## **(11) Property, Plant and Equipment**

### **(A) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated with a separate depreciation rate or depreciation method.

Property, plant, and equipment are derecognized when disposed of or expected to have no future economic benefits generated through usage. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as profit and loss.

### **(B) Reclassification to investment property**

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

### **(C) Subsequent cost**

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

#### (D) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and the net amount shall be allocated with the direct method over its useful life. Each significant item of property, plant and equipment shall be evaluated and depreciated separately if it possesses a different useful life. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

(a)	Building	3 ~ 50 years
(b)	Machinery and equipment	3 ~ 15 years
(c)	Computer and telecommunication equipment	3 ~ 8 years
(d)	Transportation equipment	3 ~ 5 years
(e)	Office equipment	3 ~ 8 years
(f)	Leasehold improvements	5 years
(g)	Other equipment	3 ~ 10 years

#### (12) Investment Properties

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant, and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant, and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting. The estimated useful life of investment property is 50 years.

#### (13) Intangible Assets

(A) Intangible assets are mainly computer software which amortized on a straight-line basis for 3 years.

(B) Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### (14) Impairment of Non-financial Assets

(A) The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

- (B) The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

**(15) Borrowings**

- (A) Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- (B) Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

**(16) Accounts Payable**

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(17) Provision**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(18) Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

**(19) Revenue Recognition**

**(A) Engineering Service Income**

In the real estate construction contract during the construction process, the Group gradually recognizes revenue over

time. As the cost of construction is directly related to the completion of the performance obligation, the Group measures the completion rate based on the actual input cost to the expected total cost. The Group gradually recognizes contract assets during the construction process and reclassifies them as accounts receivable when the bill is opened. If the amount of work received exceeds the amount of recognized income, the difference is recognized as a contract liability. The project retentions detained by the customers in accordance with the terms of the contract are intended to ensure that the Group fulfills all contractual obligations and is recognized as contractual assets before the completion of the performance of the Group.

If the result of the performance obligation cannot be reliably measured, it will only be recognized within the scope of the expected cost of the performance obligation.

**(B) Merchandise Income**

The Group sells merchandise and recognizes revenue when the promised merchandise is delivered to the client and the customer obtains control (ie, the customer's ability to lead the use of the merchandise and obtain almost all of the remaining benefits of the merchandise).

**(20) Employee Benefits**

**(A) Short-term employee benefits:**

Short-term employee benefits-related liabilities are measured as non-discounted amounts that are expected to be paid in exchange for employee services.

**(B) Post-employment benefits:**

For defined contribution plans, the contributions are recognized as pension expense when they are due in that period when the employees render service. For defined benefit plans, the pension expense, including service cost, net interest and remeasurement, is recognized according to actuarial calculation using the projected unit credit method. Service cost (including past service cost) and net interest on net defined benefit liability (asset) are recognized in profit or loss immediately. Remeasurement, including actuarial gain or loss and return on plan asset net of interest expense, is recognized in other comprehensive income as incurred, recorded in retained earnings, and not recycled to profit or loss in the future.

**(21) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**(22) Income Tax**

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

(B) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically

evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 5% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- (C) Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- (D) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- (E) The Group operates in jurisdictions where current tax assets and current tax liabilities are not legally enforceable to be offsetting against each other. As a result, the Group recognizes its deferred income tax assets and liabilities on a gross basis.
- (F) The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

## **5. Critical Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty**

In the application of the Group's accounting policies, which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### **(1) Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(A) Investment property:

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment.

(B) Operating lease commitments – Group as the lessor:

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, retaining all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**(2) Estimates and Assumptions**

The key assumptions concerning the future and other key sources of assumption uncertainty which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) Construction contract revenue:

The Group recognizes the contract revenue and profit by the managements' estimate of the profit of the contract and the completion level. Management reviews and modifies the contractual profits and costs during the contract period, and the actual contract result may be higher or lower than the estimates, which will affect the recognized revenue and profit.

(B) Impairment of trade receivables:

The estimated impairment of trade receivables is based on the Group's assumptions about default rates and expected loss rates. The Group considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessments. If the actual cash flow in the future is less than expected, significant impairment losses may occur.

(C) Pension benefits:

The cost of defined benefit pension plans and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate, future salary increase, mortality rates and future pension increases. Please refer to Note 6 (20) for detailed explanation of assumptions used in measuring pension cost and defined benefit obligation.

## **6. Major Accounts Explanation**

**(1) Cash and Cash Equivalents**

Items	Dec. 31, 2022	Dec. 31, 2021
Cash on hand	\$ 3,653	\$ 3,699
Savings accounts	4,285,715	2,996,154
Time deposits	5,411,914	1,105,487
Cash equivalents – commercial paper	253,872	113,743
Total	<u>\$ 9,955,154</u>	<u>\$ 4,219,083</u>

**(2) Financial Asset at Fair Value Through Profit or Loss - Current**

Items	Dec. 31, 2022	Dec. 31, 2021
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 192,358	\$ 302,292
Foreign bank debentures	4,620	-
Total	<u>\$ 196,978</u>	<u>\$ 302,292</u>

Items	Dec. 31, 2022	Dec. 31, 2021
Financial assets at fair value through profit or loss - current	<u>\$ 192,358</u>	<u>\$ 302,292</u>
Financial assets at fair value through profit or loss – non-current	<u>\$ 4,620</u>	<u>\$ -</u>

Items	For the Years Ended December 31,	
	2022	2021
Revaluation profit or (loss) of financial assets mandatorily measured at fair value through profit or loss	\$ (109,934)	\$ 82,270

**(3) Accounts and Notes Receivable, net**

(A) Details are as follows:

Items	Dec. 31, 2022	Dec. 31, 2021
Notes receivable	\$ 301,952	\$ 248,793
Accounts receivable	6,270,940	6,306,029
Total	6,572,892	6,554,822
Less: Loss allowance	(381,043)	(416,254)
Net	\$ 6,191,849	\$ 6,138,568

As of December 31, 2022 and 2021, the Group had outstanding discounted notes receivable (banker's acceptances) amounting to \$0 and \$130,290 thousand, respectively. The Group has payment obligation when the drawers of the notes refuse to pay for the notes at maturity. Under normal circumstances, the Group expects the drawers to pay for the notes at maturity. As of December 31, 2022 and 2021, the Group recognized the liability arising from discounted notes as short-term borrowings amounting to \$0 and \$130,290 thousand, respectively.

For the collateral information of accounts and notes receivable, please refer to Note 8.

(B) The allowance for the notes receivable and the accounts are calculated according to the provision matrix as follows:

December 31, 2022								
	Not past due	0~ 60 day	61~ 90 day	91~ 180 day	181~ 365 day	366~ 730 day	Past due over 731 day	Total
Expected credit								
loss rate	0%~0.1%	0.1%~2%	0.1%~4%	0.1%~10%	0.1%~10%	10%~25%	50%~100%	-
Total amount	\$ 4,025,264	\$ 913,480	\$ 4,153	\$ 147,586	\$ 88,818	\$ 578,712	\$ 814,879	\$ 6,572,892
Loss allowance	(4,166)	(2,929)	(166)	(11,807)	(8,882)	(97,811)	(255,282)	(381,043)
Amortized cost	\$ 4,021,098	\$ 910,551	\$ 3,987	\$ 135,779	\$ 79,936	\$ 480,901	\$ 559,597	\$ 6,191,849
December 31, 2021								
	Not past due	0~ 60 day	61~ 90 day	91~ 180 day	181~ 365 day	366~ 730 day	Past due over 731 day	Total
Expected credit								
loss rate	0%~0.1%	0.1%~2%	0.1%~4%	0.1%~10%	0.1%~10%	10%~25%	50%~100%	-
Total amount	\$ 4,525,491	\$ 303,176	\$ 58,787	\$ 179,197	\$ 390,756	\$ 536,274	\$ 561,141	\$ 6,554,822
Loss allowance	(4,407)	(3,055)	(2,489)	(17,776)	(39,564)	(60,123)	(288,840)	(416,254)
Amortized cost	\$ 4,521,084	\$ 300,121	\$ 56,298	\$ 161,421	\$ 351,192	\$ 476,151	\$ 272,301	\$ 6,138,568



The Group adopts the simplified approach of IFRS 9 to recognize the allowance loss of accounts receivable based on the expected credit losses during the lifetime. The expected credit losses on notes and accounts receivable are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast GDP and direction of economic conditions at the reporting date. The expected credit loss rate recognizes the allowance loss based on the expectations of customers in different risk groups.

Aging analysis of accounts receivable that is individually determined to be impaired:

Items	Dec. 31, 2022	Dec. 31, 2021
Neither past due nor impaired	\$ 4,021,098	\$ 4,521,084
Past due but not impaired:		
Past due 0~60 days	910,551	300,121
Past due 61~90 days	3,987	56,298
Past due 91~180 days	135,779	161,421
Past due 181~365 days	79,936	351,192
Past due over 366 days	1,040,498	748,452
Total	<u>\$ 6,191,849</u>	<u>\$ 6,138,568</u>

**(4) Other Receivables, net**

(A) Details are as follows:

Items	Dec. 31, 2022	Dec. 31, 2021
Other receivables	\$ 41,612	\$ 97,306
Less: loss allowance	(10,792)	(15,809)
Net	<u>\$ 30,820</u>	<u>\$ 81,497</u>

(B) Movement in the provision for impairment of other receivables:

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 15,809	\$ 10,656
The amount charged or reversed for the period	(825)	5,128
The amount written-off for the period	(4,225)	-
Effect of exchange rate change	33	25
Ending balance	<u>\$ 10,792</u>	<u>\$ 15,809</u>

**(5) Inventories, net**

Items	Dec. 31, 2022	Dec. 31, 2021
Supplies	\$ 20,011	\$ 28,226
Merchandise	44,116	41,334
Construction in progress	631,273	536,741
Total	<u>\$ 695,400</u>	<u>\$ 606,301</u>

The market price decline and obsolete loss reversal profit for inventories amounted to \$0 for the years ended December 31, 2022 and 2021.

**(6) Prepayments**

Items	Dec. 31, 2022	Dec. 31, 2021
Prepaid expenses	\$ 107,989	\$ 87,578
Advance payments	10,078,232	1,640,159
Other prepayments	683,867	635,792
Total	<u>\$ 10,870,088</u>	<u>\$ 2,363,529</u>

**(7) Other Current Financial Assets**

Items	Dec. 31, 2022	Dec. 31, 2021
Time deposits with maturities of more than three months	\$ 700,526	\$ 593,284
Restricted assets	3,861,841	2,548,271
Guarantee deposits paid	206,883	278,500
Total	<u>\$ 4,769,250</u>	<u>\$ 3,420,055</u>

Items	Dec. 31, 2022	Dec. 31, 2021
Other financial assets - current	<u>\$ 4,562,367</u>	<u>\$ 3,373,857</u>
Other financial assets - noncurrent	<u>\$ 206,883</u>	<u>\$ 46,198</u>

(A) As of December 31, 2022 and 2021, the restricted assets included subsidiaries' structured deposit \$0 thousand and \$108,575 thousand, respectively. This product is measured by amortized cost and may not be withdrawn or used during the contract period.

(B) For the collateral information of other financial assets, please refer to Note 8.

**(8) Financial asset at fair value through other comprehensive income – Noncurrent**

Items	Dec. 31, 2022	Dec. 31, 2021
Equity instrument investments:		
Listed companies stocks	\$ 218,942	\$ 127,982
Unlisted companies stocks	296,489	226,002
Total	<u>\$ 515,431</u>	<u>\$ 353,984</u>

(A) The Group's investments in equity instruments are classified as medium and long-term strategic investments and are designated at fair value through other comprehensive income.

(B) The fair value through other comprehensive income - financial assets (FVTOCI) was summarized as follows:

Items	For the Years Ended December 31,	
	2022	2021
Fair value through other comprehensive income – equity instrument		
The variation recognized as fair value through other comprehensive income	\$ 73,227	\$ 111,270
The derecognition of accumulated profit or loss into retained earnings	\$ -	\$ -

**(9) Investment Accounted for Using the Equity Method**

Investee company	December 31, 2022		
	Cost	Ownership percentage	Carrying amount
Formosa Medical Devices Inc.	\$ 49,036	40.88%	\$ 8,776
Less: Accumulated impairments	-		(8,776)
Net	\$ 49,036		\$ -

Investee company	December 31, 2021		
	Cost	Ownership percentage	Carrying amount
Formosa Medical Devices Inc.	\$ 49,036	40.88%	\$ 8,776
Less: Accumulated impairments	-		(8,776)
Net	\$ 49,036		\$ -

(A) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:  
As of December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$0.

	For the Years Ended December 31,	
	2022	2021
Profit or loss for the year from continuing operations	\$ -	\$ 2,023
Other comprehensive income (loss), net of income tax	-	-
Total comprehensive income (loss)	\$ -	\$ 2,023

(B) Cash-refund capital reduction of the associate company Topone International Engineering Consultants Inc. was approved in the shareholders' meeting. The Company has received the returned amount of \$4,900 thousand on April 29, 2021 and recognized the gain on disposal of investment accounted for using the equity method \$2,322 thousand.

**(10) Property, Plant, and Equipment**

Changes in the cost, depreciation and impairment loss of property, plant and equipment of the Group for the years ended December 31, 2022 and 2021 were as follows:

For the Year Ended December 31, 2022:

Cost	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Land	\$ 136,554	\$ -	\$ -	\$ -	\$ -	\$ 136,554
Buildings	671,072	-	-	-	24,064	695,136
Machinery and equipment	148,094	43,705	-	(4,965)	811	187,645
Computer equipment	72,771	28,855	-	(4,679)	1,127	98,074
Transportation equipment	174,232	55,524	-	(6,758)	1,356	224,354
Office equipment	26,744	410	-	(267)	372	27,259
Leasehold improvements	7,031	-	-	-	-	7,031
Other equipment	646,960	24,092	-	(348)	720	671,424
Construction in process	46,080	1	-	-	722	46,803
Total	<u>\$ 1,929,538</u>	<u>\$ 152,587</u>	<u>\$ -</u>	<u>\$ (17,017)</u>	<u>\$ 29,172</u>	<u>\$ 2,094,280</u>

Accumulated depreciation	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Buildings	\$ (241,613)	\$ (24,330)	\$ -	\$ -	\$ (3,223)	\$ (269,166)
Machinery and equipment	(115,842)	(15,642)	-	4,765	(543)	(127,262)
Computer equipment	(53,181)	(9,940)	-	4,514	(762)	(59,369)
Transportation equipment	(104,231)	(16,771)	-	6,549	(1,067)	(115,520)
Office equipment	(23,454)	(748)	-	247	(270)	(24,225)
Leasehold improvements	(6,809)	(106)	-	-	-	(6,915)
Other equipment	(634,772)	(9,389)	-	344	(567)	(644,384)
Total	<u>\$ (1,179,902)</u>	<u>\$ (76,926)</u>	<u>\$ -</u>	<u>\$ 16,419</u>	<u>\$ (6,432)</u>	<u>\$ (1,246,841)</u>

For the year ended December 31, 2021:

Cost	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Land	\$ 136,554	\$ -	\$ -	\$ -	\$ -	\$ 136,554
Buildings	702,021	150	(26,936)	-	(4,163)	671,072
Machinery and equipment	133,955	15,037	-	(1,190)	292	148,094
Computer equipment	67,951	9,329	-	(4,616)	107	72,771
Transportation equipment	136,236	39,523	-	(1,879)	352	174,232
Office equipment	25,717	1,352	-	(286)	(39)	26,744
Leasehold improvements	7,031	-	-	-	-	7,031
Other equipment	647,154	985	-	(1,111)	(68)	646,960
Construction in process	45,212	3,208	(2,600)	-	260	46,080
Total	<u>\$ 1,901,831</u>	<u>\$ 69,584</u>	<u>\$ (29,536)</u>	<u>\$ (9,082)</u>	<u>\$ (3,259)</u>	<u>\$ 1,929,538</u>

Accumulated depreciation	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Buildings	\$ (237,325)	\$ (24,441)	\$ 20,602	\$ -	\$ (449)	\$ (241,613)
Machinery and equipment	(108,190)	(8,594)	-	1,135	(193)	(115,842)
Computer equipment	(50,233)	(7,325)	-	4,417	(40)	(53,181)
Transportation equipment	(92,852)	(12,888)	-	1,754	(245)	(104,231)
Office equipment	(22,672)	(1,066)	-	266	18	(23,454)
Leasehold improvements	(6,703)	(106)	-	-	-	(6,809)
Other equipment	(623,742)	(12,181)	-	1,098	53	(634,772)
Total	<u>\$ (1,141,717)</u>	<u>\$ (66,601)</u>	<u>\$ 20,602</u>	<u>\$ 8,670</u>	<u>\$ (856)</u>	<u>\$ (1,179,902)</u>

Carrying amount	Dec. 31, 2022	Dec. 31, 2021
Land	\$ 136,554	\$ 136,554
Buildings	425,970	429,459
Machinery and equipment	60,383	32,252
Computer equipment	38,705	19,590
Transportation equipment	108,834	70,001
Office equipment	3,034	3,290
Leasehold improvements	116	222
Other equipment	27,040	12,188
Construction in progress	46,803	46,080
Total	<u>\$ 847,439</u>	<u>\$ 749,636</u>

For the collateral information of the property, plant, and equipment, please refer to Note 8.

The significant part of the Group's buildings included main buildings, renovation (reconstruction) projects and electrical power equipment, and the related depreciation was calculated using the estimated useful lives of 50 years, 10 years, and 10 to 35 years, respectively.

**(11) Right-of-use Assets**

Changes in the cost and depreciation of right-of-use assets of the Company for the year ended December 31, 2022 and 2021 were as follows:

For the Year Ended December 31, 2022:

Cost	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of exchange rate changes	Ending balance
Land	\$ 2,879,183	\$ 49,284	\$ (1,230)	\$ (5,346)	\$ 44,550	\$ 2,966,441
Buildings	34,822	89,280	1,230	(13,624)	296	102,004
Transportation equipment	2,176	396	-	(315)	(790)	2,467
Total	<u>\$ 2,906,181</u>	<u>\$ 138,960</u>	<u>\$ -</u>	<u>\$ (19,285)</u>	<u>44,056</u>	<u>\$ 3,069,912</u>

Accumulated depreciation	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of exchange rate changes	Ending balance
Land	\$ (163,497)	\$ (61,281)	\$ -	\$ 5,346	\$ (2,671)	\$ (222,103)
Buildings	(16,763)	(15,475)	-	13,455	(605)	(19,388)
Transportation equipment	(1,058)	(820)	-	250	801	(827)
Total	<u>\$ (181,318)</u>	<u>\$ (77,576)</u>	<u>\$ -</u>	<u>\$ 19,051</u>	<u>(2,475)</u>	<u>\$ (242,318)</u>

For the year ended December 31, 2021:

Cost	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of exchange rate changes	Ending balance
Land	\$ 2,894,121	\$ 511	\$ 1,191	\$ (33,675)	\$ 17,035	\$ 2,879,183
Buildings	31,422	2,651	(1,190)	(8,411)	350	34,822
Transportation equipment	6,539	1,049	-	(5,420)	8	2,176
Total	<u>\$ 2,932,082</u>	<u>\$ 4,211</u>	<u>\$ 1</u>	<u>\$ (47,506)</u>	<u>17,393</u>	<u>\$ 2,906,181</u>

<u>Accumulated depreciation</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reclassification</u>	<u>Disposal / Transfer</u>	<u>Effect of exchange rate changes</u>	<u>Ending balance</u>
Land	\$ (133,909)	\$ (64,572)	\$ 809	\$ 34,904	\$ (729)	\$ (163,497)
Buildings	(12,359)	(9,089)	(810)	5,777	(282)	(16,763)
Transportation equipment	(6,236)	(238)	-	5,421	(5)	(1,058)
Total	<u>\$ (152,504)</u>	<u>\$ (73,899)</u>	<u>\$ (1)</u>	<u>\$ 46,102</u>	<u>(1,016)</u>	<u>\$ (181,318)</u>

<u>Carrying amount</u>	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Land	\$ 2,744,338	\$ 2,715,686
Buildings	82,616	8,059
Transportation equipment	640	1,118
Total	<u>\$ 2,827,594</u>	<u>\$ 2,724,863</u>

For the collateral information of the right-of-use assets, please refer to Note 8.



**(12) Investment Property**

(A) Changes in the investment property for the years ended December 31, 2022 and 2021 were as follows:

For the year ended December 31, 2022:

Cost	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Investment - land	\$ 68,001	\$ -	\$ -	\$ -	\$ -	\$ 68,001
Investment - building	69,549	284	-	-	466	70,299
Accumulated depreciation - investment	(35,880)	(2,135)	-	-	(346)	(38,361)
Net	<u>\$ 101,670</u>	<u>\$ (1,851)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 99,939</u>

For the year ended December 31, 2021:

Cost	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Investment - land	\$ 68,001	\$ -	\$ -	\$ -	\$ -	\$ 68,001
Investment - building	39,780	-	29,536	-	233	69,549
Accumulated depreciation - investment	(13,667)	(1,448)	(20,602)	-	(163)	(35,880)
Net	<u>\$ 94,114</u>	<u>\$ (1,448)</u>	<u>\$ 8,934</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 101,670</u>

For the Years Ended December 31,

	<u>2022</u>	<u>2021</u>
(B) Rent revenue of investment property	<u>\$ 5,178</u>	<u>\$ 3,208</u>

(C) For the collateral information of the investment property, please refer to Note 8.

(D) The fair value of investment properties was \$215,612 thousand both on December 31, 2022 and 2021. The evaluation was based on independent experts' reports, which adopted the market value method.

**(13) Intangible Assets**For the year ended December 31, 2022:

Items	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Computer software	\$ 82,347	\$ 19,185	\$ -	\$ (28)	\$ 947	\$ 102,451
Trademark	689	131	-	-	12	832
Goodwill	2,041	-	-	-	-	2,041
Technology	108,582	-	-	-	1,700	110,282
Total	<u>\$ 193,659</u>	<u>\$ 19,316</u>	<u>\$ -</u>	<u>\$ (28)</u>	<u>\$ 2,659</u>	<u>\$ 215,606</u>

Accumulated amortization	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Computer software	\$ (64,075)	\$ (8,876)	\$ -	\$ 28	\$ (591)	\$ (73,514)
Trademark	(601)	(71)	-	-	(10)	(682)
Technology	(108,582)	-	-	-	(1,700)	(110,282)
Total	<u>\$ (173,258)</u>	<u>\$ (8,947)</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ (2,301)</u>	<u>\$ (184,478)</u>

For the year ended December 31, 2021:

Items	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Computer software	\$ 76,181	\$ 6,302	\$ -	\$ (421)	\$ 285	\$ 82,347
Trademark	685	-	-	-	4	689
Goodwill	2,041	-	-	-	-	2,041
Technology	107,932	-	-	-	650	108,582
Total	<u>\$ 186,839</u>	<u>\$ 6,302</u>	<u>\$ -</u>	<u>\$ (421)</u>	<u>\$ 939</u>	<u>\$ 193,659</u>

Accumulated amortization	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Computer software	\$ (58,414)	\$ (5,875)	\$ -	\$ 421	\$ (207)	\$ (64,075)
Trademark	(529)	(69)	-	-	(3)	(601)
Technology	(107,932)	-	-	-	(650)	(108,582)
Total	<u>\$ (166,875)</u>	<u>\$ (5,944)</u>	<u>\$ -</u>	<u>\$ 421</u>	<u>\$ (860)</u>	<u>\$ (173,258)</u>

Carrying amount	Dec. 31, 2022	Dec. 31, 2021
Computer software	\$ 28,937	\$ 18,272
Trademark	150	88
Goodwill	2,041	2,041
Technology	-	-
Total	<u>\$ 31,128</u>	<u>\$ 20,401</u>

**(14) Other Long-Term Investments**

Items	Dec. 31, 2022	Dec 31, 2021
Other long-term investments	\$ 276,480	\$ 249,165

L&K Engineering Co., Ltd. (BVI) signed an cooperative investment agreement with Surprise Investments Limited for \$9,000 USD thousand to participate the investment project in ASEAN countries on May 7, 2020.

**(15) Short-Term Borrowings**

Items	Dec. 31, 2022	Dec 31, 2021
Unsecured bank loan	\$ 1,876,343	\$ 1,279,265
Secured bank loan	-	130,290
Other short-term loans	155,708	153,308
Total	\$ 2,032,051	\$ 1,562,863
Interest rate	0%~3.89%	0%~1.7%

For the collateral of the above short-term loans, please refer to Note 8.

For the Groups' unused credit for loan, please refer to Note 9(4).

**(16) Short-Term Notes and Bills payable**

Items	Dec. 31, 2022	Dec. 31, 2021
Short-term notes payable	\$ 1,300,000	\$ 1,650,000
Less: discounts on notes payable	(2,462)	(1,257)
Net	\$ 1,297,538	\$ 1,648,743
Interest rate	1.73%~2.208%	0.3%~1.188%

**(17) Provisions**

Items	For the Year Ended December 31, 2022		
	Warranties	Employee benefit	Total
Balance, January 1	\$ 200,442	\$ 12,705	\$ 213,147
Increase in the period	77,278	2,323	79,601
Use in the period	(32,968)	-	(32,968)
Balance, December 31	\$ 244,752	\$ 15,028	\$ 259,780

For the Year Ended December 31, 2021			
Items	Warranties	Employee benefit	Total
Balance, January 1	\$ 180,574	\$ 12,064	\$ 192,638
Increase in the period	26,589	641	27,230
Use in the period	(6,721)	-	(6,721)
Balance, December 31	<u>\$ 200,442</u>	<u>\$ 12,705</u>	<u>\$ 213,147</u>

Items	Dec. 31, 2022	Dec. 31, 2021
Current		
Employee benefit	\$ 15,028	\$ 12,705
Warranties	244,752	200,442
Total	<u>\$ 259,780</u>	<u>\$ 213,147</u>

Employee benefits were based on employee's accrued paid leaves. These liability reserves were warranty and repair works estimated by historical experience, management's judgment and other known causes.

**(18) Lease Liability**

Dec. 31, 2022			
Items	Future minimum lease payments	Interest	Present value of future minimum lease payments
Current	\$ 79,632	\$ 2,088	\$ 77,544
Noncurrent	59,692	972	58,720
Total	<u>\$ 139,324</u>	<u>\$ 3,060</u>	<u>\$ 136,264</u>

Dec. 31, 2021			
Items	Future minimum lease payments	Interest	Present value of future minimum lease payments
Current	\$ 11,320	\$ 382	\$ 10,938
Noncurrent	14,703	306	14,397
Total	<u>\$ 26,023</u>	<u>\$ 688</u>	<u>\$ 25,335</u>

(A) The information of lease agreements of the Group were as follows:

Items affecting profit or loss	For the Years Ended December 31,	
	2022	2021
Interest expense on lease liabilities	\$ 894	\$ 569
Expense on short-term leases contracts	\$ 104,105	\$ 74,846
Expense on low-value lease assets contracts	\$ 4,498	\$ 4,019

(B) The Group's total cash outflow for leases in 2022 and 2021 was \$137,930 thousand and \$102,291 thousand, respectively. °

(C) Some part of office equipment, transportation equipment, and staff dormitory were recognized as short-term leases or the leases of low-value assets. The Group applied an exemption not to recognize relevant lease assets and lease liability.

#### (19) Long-Term Bank Borrowings

Items	Dec. 31, 2022	Dec. 31, 2021
Secured bank loan	\$ 207,583	\$ 381,978
Unsecured bank loan	1,200,000	1,100,000
Other long-term borrowings	260,249	256,237
Less: current portion due in one year or one operating cycle	(326,907)	(270,370)
Unamortized deferred sponsorship fees	(9,206)	-
Net	\$ 1,331,719	\$ 1,467,845
Interest rate	0%~4.275%	0%~4.275%

(A) For the collateral of the above long-term loans, please refer to Note 8.

(B) For the Group's unused credit for loan, please refer to Note 9(4).

#### (20) Retirement Benefit Plans

(A) Defined contribution plans:

The pension plan under the Labor Pension Act of R.O.C (the "LPA") is considered as a defined contribution plan. Based on the LPA, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Its foreign subsidiaries would make monthly contributions based on the local pension requirements. The total expense recognized in the statement of comprehensive income of \$48,146 thousand and \$42,214 thousand for the years ended December 31, 2022 and 2021 represents contributions made to these plans by the Group.

(B) Defined benefit plans:

- (a) The Company and its domestic subsidiaries made the pension plan according to Labor Standard Law that is defined benefit plan. The pension payment is calculated by the work experience and the average salary. The method of base year amount calculated is two base amount per year in the first fifteen years, and a base amount per year after fifteen years, and it can cumulate to 45 amount at most. The Company distributed 3% of salary to pension fund, and saved in the designated account in Bank of Taiwan.

The total expense recognized in the statement of comprehensive income of \$703 thousand and \$682 thousand for the years ended December 31, 2022 and 2021 represents contributions made to these plans by the Company.

(b) Pension cost of the defined benefit plan recognized in the statement of comprehensive income is as follows:

Items	For the Years Ended December 31,	
	2022	2021
Current service cost	\$ 428	\$ 514
Net interest expense	275	168
Components of defined benefit costs recognized in profit or loss	703	682
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(5,123)	(981)
Actuarial gains and losses arising from experience adjustments	1,862	(2,403)
Actuarial gains and losses arising from changes in financial assumptions	(5,882)	(3,872)
Actuarial gains and losses arising from change in demographics assumption	9	347
Components of defined benefit costs recognized in other comprehensive income	(9,134)	(6,909)
Total	\$ (8,431)	\$ (6,227)

(c) Adjustment of fair value of defined benefit obligation and plan assets were as follows:

Items	Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligation	\$ 94,298	\$ 103,727
Fair value of plan assets	(64,786)	(63,156)
Net defined benefit liability	\$ 29,512	\$ 40,571

(d) Changes in the present value of defined benefit obligation were as follows:

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 103,727	\$ 118,028
Current service cost	428	514
Interest expense	704	400
Benefit paid from plan assets	(6,550)	(9,287)
Actuarial gains and losses arising from experience adjustments	1,862	(2,403)
Actuarial gains and losses arising from change in demographics assumption	9	347
Actuarial gains and losses arising from changes in financial assumptions	(5,882)	(3,872)
Ending balance	\$ 94,298	\$ 103,727

(e) Changes in the fair value of plan assets were as follows:

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 63,156	\$ 68,638
Expected return of plan assets	429	233
Contributions from employer	2,628	2,591
Benefit paid from plan assets	(6,550)	(9,287)
Return on plan assets	5,123	981
Ending balance	\$ 64,786	\$ 63,156

(f) Defined benefit obligations payable in future years are as follows:

Year	Amount
2023	\$ 2,056
2024	3,684
2025	4,948
2026	12,246
2027	3,868
Over 2028	79,561

The Company expects to make a contribution of \$2,647 thousand to the defined benefit pension plan within one year from December 31, 2022.

The weighted average duration of the defined benefit plan was 9 years on December 31, 2022.



(g) The percentage for each major category of plan assets were as follows:

Items	Pension plan	
	Dec. 31, 2022	Dec. 31, 2021
Cash	100%	100%
Equity instruments	-	-
Debt instruments	-	-
Others	-	-

The actual reward of the plan assets in 2022 and 2021 were \$5,552 thousand and \$1,214 thousand.

(h) According to relevant rules subject to custody and use of labor pension fund, profit of the fund will distribute based on performance every year. And it shall not be lower than interest rate of two-year deposit of the local bank. The government finance will make up the balance if a deficit occurs. Employer cannot decide the investment target of fund. According to the report issued by Labor Pension Fund Supervisory Committee, the pension reserve fund was allocated on December 31, 2022 and 2021 as follows:

Items	Dec. 31, 2022	Dec. 31, 2021
Deposit in financial institutions	16.34%	18.88%
Loan to government and government-owned enterprises	-	-
Investment of stock and beneficiary certificate	12.89%	9.02%
Short-term bills	4.11%	4.99%
Government bonds, financial bonds, and corporate bond	6.49%	6.24%
Overseas investment	50.16%	50.69%
Others	10.01%	10.18%

(i) The principal assumptions used for the Company's defined benefit plans:

Items	Dec. 31, 2022	Dec. 31, 2021
Discount rate	1.30%	0.70%
Expected rates of salary increase	3.00%	3.00%

(j) 0.25% change in the assumed discount rate would have the following effects:

	For the Year Ended December 31, 2022	
	Increase	Decrease
Effect on the defined benefit obligation	\$ (2,303)	\$ 2,388

	For the Year Ended December 31, 2021	
	Increase	Decrease
Effect on the defined benefit obligation	\$ (2,674)	\$ 2,780

(k) 0.25% change in the assumed expected rates of salary increase would have the following effects:

	For the Year Ended December 31, 2022	
	Increase	Decrease

Effect on the defined benefit obligation	\$ 2,363	\$ (2,292)
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For the Year Ended December 31, 2021

	Increase	Decrease
Effect on the defined benefit obligation	\$ 2,721	\$ (2,633)

The sensitivity analysis described above is based on a one actuarial assumption (e.g. discount rate or expected rates of salary increase) which changed in a reasonable and probable range while the other assumptions remained unchanged. Since some of the actuarial assumptions are related to each other, in practice it is rare that only one assumption changes. Thus the analysis has its limitations.

The methods and assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## (21) Capital - Common Stock

Items	Dec. 31, 2022	Dec. 31, 2021
Authorized shares (thousands)	350,000	350,000
Authorized capital	\$ 3,500,000	\$ 3,500,000
Issued and fully paid-up shares (thousands)	225,541	225,541

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

## (22) Capital Surplus

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds, and the surplus from treasury stock transactions) may be appropriated as stock dividends. Unless the legal reserve has been used to offset the retained loss and there remains a deficit, capital surplus is not allowed to be used to offset. In addition, the capital surplus from long-term investments may not be used for any purpose.

Items	Dec. 31, 2022	Dec. 31, 2021
Additional paid-in capital - common stock	\$ 1,406,429	\$ 1,406,429
Additional paid-in capital - bond conversion	1,379,805	1,379,805
Additional paid-in capital in excess of par - treasury stock	16,924	16,924
Net assets from merger	10,645	10,645
Invalid stock option	34,132	34,132
Changes in ownership interests in subsidiaries	5,678	-
Total	\$ 2,853,613	\$ 2,847,935

**(23) Legal Reserve and Accumulated Earnings**

- (A) Pursuant to the Company's Articles of Incorporation, current year's earnings, if any, shall be appropriated in the following order:
- (a) Payments of all taxes, if any
  - (b) To offset prior year's deficit, if any
  - (c) To set aside 10% of the remaining amount as legal reserve after deducting items
  - (d) To set aside special reserve, if required
  - (e) To set aside an amount for dividends
  - (f) The remaining amount (the "appropriable after-dividend earnings"), if any, combination with prior year's accumulated unappropriated earnings is appropriated based on the appropriation of shareholders' bonuses plan drafted by the board of directors under the ordinary shareholders' meeting.
- (B) According to the regulations of the competent authority, if the company has other net interest deductions, it shall provide the same amount of special surplus reserve within the statutory limit. When the other equity deductions are reversed, the revolving part will make up for the loss or distribute the surplus.
- (C) The appropriations of earnings for 2021 had been resolved in the shareholders' meeting held on June 24, 2022. The appropriations of earnings for 2020 had been resolved in the shareholders' meeting held on August 9, 2021. The appropriations and dividends per share were as follows:

Items	For the Years Ended December 31,			
	2021		2020	
	Amount	Per share (dollar)	Amount	Per share (dollar)
Legal reserve	\$ 32,693		\$ 34,091	
Special reserve	-		84,850	
Cash dividends	338,311	\$ 1.5	225,541	\$ 1
Total	<u>\$ 371,004</u>	<u>\$ 1.5</u>	<u>\$ 344,482</u>	<u>\$ 1</u>

- (D) The proportion of cash dividends distributed shall not be less than 10% of the total dividends.
- (E) The appropriation for legal reserve is made until the reserve equals the aggregate par value of the Company's paid-in capital stock. The reserve can only be used to offset an accumulated deficit or be distributed as dividends in cash or stock for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

**(24) Other Equity**

- (A) Exchange differences arising on translation of foreign operations :

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ (386,242)	\$ (366,780)
Increase in the period	192,879	(24,320)
Income tax	(38,804)	4,858
Changes in ownership interests in subsidiaries	1,143	-
Ending balance	<u>\$ (231,024)</u>	<u>\$ (386,242)</u>

The exchange difference of converting net assets of foreign operations to the Group's presentation currency New Taiwan dollar is directly recorded to exchange difference arising on translation of foreign operations which is under other comprehensive income.

(B) Unrealized gains and losses on financial assets measured at fair value through other comprehensive income:

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 24,089	\$ (87,181)
Valuation of profit (loss) for the period	73,227	111,270
Disposal of financial assets	-	-
Income tax	-	-
Ending balance	<u>\$ 97,316</u>	<u>\$ 24,089</u>

Unrealized gain/loss on fair value through other comprehensive income represents the cumulative gains or losses arising from the financial assets at fair value through other comprehensive income that are recognized in other comprehensive income. When those financial assets at fair value through other comprehensive income have been disposed, the related cumulative gains or losses in other comprehensive income are reclassified to retained earnings.

**(25) Non-Controlling Interests**

(A) Change of non-controlling interests:

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 3,597,890	\$ 3,635,080
Net income (loss)	284,885	2,709
Foreign currency translation reserve	54,566	10,313
Related income tax of foreign currency translation	(16)	4
Changes in ownership interests in subsidiaries	(5,678)	-
Increase/decrease in non-controlling interests	184,941	(50,216)
Ending balance	\$ 4,116,588	\$ 3,597,890

(B) Summarized financial information of subsidiaries which the Group has significant non-controlling interest in:

Company name	Principal place of business	Percentage of ownership (%)	
		Dec. 31, 2022	Dec. 31, 2021
Unique Grand Limited and subsidiaries	Hong Kong	48.29%	47.86%
Current assets		\$ 100,584	\$ 110,552
Non-current assets		2,749,295	2,756,747
Current liabilities		(496,439)	(902,551)
Non-current liabilities		(260,470)	(256,237)
Total net assets		\$ 2,092,970	\$ 1,708,511
Accumulate non-controlling interests		\$ 1,010,695	\$ 817,693

		For the Years Ended December 31,	
		2022	2021
Statements of comprehensive income:			
Sales		\$ -	\$ -
Net income		\$ (78,237)	\$ (59,468)
Other comprehensive income for the period, net of income tax		5,323	(15,453)
Total comprehensive income for the period		<u>\$ (72,914)</u>	<u>\$ (74,921)</u>
The Company's net income attributable to the non-controlling interests in the subsidiary		\$ (37,670)	\$ (28,461)
The Company's other comprehensive income attributable to the non-controlling interests in the subsidiary		2,909	(7,396)
The Company's total comprehensive income attributable to the non-controlling interests in the subsidiary		<u>\$ (34,761)</u>	<u>\$ (35,857)</u>
Dividend received from subsidiaries		<u>\$ -</u>	<u>\$ -</u>

		Percentage of ownership (%)	
Company name	Principal place of business	Dec. 31, 2022	Dec. 31, 2021
L&K Engineering (SUZHOU) Co., Ltd.	Suzhou	46.01%	46.01%

Balance sheets:			
Current assets		\$ 9,632,594	\$ 8,108,091
Non-current assets		1,514,983	1,393,146
Current liabilities		(5,839,487)	(4,770,988)
Non-current liabilities		(11,551)	(118,382)
Total net assets		<u>\$ 5,296,539</u>	<u>\$ 4,611,867</u>
Accumulate non-controlling interests		<u>\$ 2,436,765</u>	<u>\$ 2,121,770</u>

	For the Years Ended December 31,	
	2022	2021
Statements of comprehensive income:		
Sales	\$ 12,000,763	\$ 7,737,767
Net income	\$ 677,759	\$ 47,670
Other comprehensive income for the period, net of income tax	100,855	28,378
Total comprehensive income for the period	\$ 778,614	\$ 76,048
The Company's net income attributable to the non-controlling interests in the subsidiary	\$ 311,815	\$ 21,932
The Company's other comprehensive income attributable to the non-controlling interests in the subsidiary	46,400	13,056
The Company's total comprehensive income attributable to the non-controlling interests in the subsidiary	\$ 358,215	\$ 34,988
Dividend received from subsidiaries	\$ 43,220	\$ 42,297

**(26) Operating Revenue**

Items	For the Years Ended December 31,	
	2022	2021
Construction contract revenue	\$ 34,069,570	\$ 22,242,666
Sales contract revenue	1,669,316	1,510,163
Total	\$ 35,738,886	\$ 23,752,829

**(A) Segmentation of customer contract revenue :**

The Group's revenue is derived from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The revenue can be subdivided into the following major regional markets:

For the Year Ended December 31, 2022				
Items	China (including			Total
	Taiwan	Hong Kong)	Other countries	
External customer				
contract revenue	\$ 22,792,634	\$ 11,133,520	\$ 1,812,732	\$ 35,738,886
Income recognized at a certain point in time when income is recognized	791	1,668,525	-	1,669,316
Gradually recognized income over time	22,791,843	9,464,995	1,812,732	34,069,570
Total	\$ 22,792,634	\$ 11,133,520	\$ 1,812,732	\$ 35,738,886

For the Year Ended December 31, 2021				
Items	China (including			Total
	Taiwan	Hong Kong)	Other countries	
External customer				
contract revenue	\$ 14,197,344	\$ 8,018,553	\$ 1,536,932	\$ 23,752,829
Income recognized at a certain point in time when income is recognized	1,234	1,508,929	-	1,510,163
Gradually recognized income over time	14,196,110	6,509,624	1,536,932	22,242,666
Total	\$ 14,197,344	\$ 8,018,553	\$ 1,536,932	\$ 23,752,829

(B) Contract assets and contract liabilities :

Items	Dec. 31, 2022	Dec. 31, 2021
Contract assets		
Retainable for receivables	\$ 2,472,286	\$ 1,719,590
Real estate construction	9,469,505	9,508,252
Total	\$ 11,941,791	\$ 11,227,842
Less: loss allowance	(796,540)	(635,242)
Net	\$ 11,145,251	\$ 10,592,600



Items	Dec. 31, 2022	Dec. 31, 2021
Contract liabilities		
Advance sales receipts	\$ 34,977	\$ 34,556
Real estate construction	18,122,540	4,824,479
Total	<u>\$ 18,157,517</u>	<u>\$ 4,859,035</u>

**(27) Expected Credit Impairment Loss (Benefit)**

	For the Years Ended December 31,	
	2022	2021
(A) Expected credit impairment loss (benefit)	<u>\$ 231,358</u>	<u>\$ 400,154</u>

(B) The information on the changes in allowances for the Group's receivables and other receivables is as follows:

	For the Year Ended December 31, 2022				
Items	Notes receivable	Accounts receivable	Contract assets	Other receivables	Total
Beginning balance	\$ 24	\$ 416,230	\$ 635,242	\$ 15,809	\$ 1,067,305
Amount incurred in the current period	1	81,050	151,132	(825)	231,358
Amount of current write- off	-	(120,891)	-	(4,225)	(125,116)
Exchange rate impact	-	4,629	10,166	33	14,828
Ending balance	<u>\$ 25</u>	<u>\$ 381,018</u>	<u>\$ 796,540</u>	<u>\$ 10,792</u>	<u>\$ 1,188,375</u>

	For the Year Ended December 31, 2021				
Items	Notes receivable	Accounts receivable	Contract assets	Other receivables	Total
Beginning balance	\$ -	\$ 381,818	\$ 270,170	\$ 10,656	\$ 662,644
Amount incurred in the current period	24	32,455	362,547	5,128	400,154
Amount of current write- off	-	-	-	-	-
Exchange rate impact	-	1,957	2,525	25	4,507
Ending balance	<u>\$ 24</u>	<u>\$ 416,230</u>	<u>\$ 635,242</u>	<u>\$ 15,809</u>	<u>\$ 1,067,305</u>

**(28) Employee Benefits Expense, Depreciation and Amortization****(A) Employee benefits expense:**

Items	For the Years Ended December 31,					
	2022			2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee						
benefits expense	\$ 1,934,913	\$ 592,699	\$ 2,527,612	\$ 1,206,476	\$ 451,775	\$ 1,658,251
Salary	1,681,933	494,052	2,175,985	1,016,150	375,022	1,391,172
Labor and						
health						
insurance	122,698	17,849	140,547	89,490	14,396	103,886
Pension	42,143	6,706	48,849	37,773	5,123	42,896
Others	88,139	74,092	162,231	63,063	57,234	120,297
Depreciation	62,451	94,186	156,637	52,264	89,684	141,948
Amortization	3,553	5,527	9,080	2,084	3,952	6,036

The Articles of Association of the Company stipulates that if there is a surplus in the year, the employees' compensation and directors' and supervisor's remuneration will be paid at the rate of 3% to 5% and no more than 3% of the pre-tax profit before distribution of employees' compensation and directors' and supervisors' remuneration. However, when the Company has accumulated losses, it should cover the deficit first.

The Company accrued profit-sharing bonus to employees based on a percentage of net income before income tax, profit-sharing bonus to employees and compensation to directors/supervisors during the period, which amounted to \$53,839 thousand and \$26,920 thousand in 2022, and amounted to \$15,942 thousand and \$7,971 thousand in 2021. Compensation to employees and directors/supervisors was expensed based on estimated amount payable. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The Board of Directors of the Company held on March 10, 2023 approved the profit-sharing bonus to employees and compensation to directors/supervisors in the amounts of \$53,839 thousand and \$26,920 thousand in cash for 2022. The Board of Directors of the Company held on March 30, 2022 approved the profit-sharing bonus to employees and compensation to directors/supervisors in the amounts of \$15,942 thousand and \$7,971 thousand in cash for 2021. There is no difference between the aforementioned approved amounts and the recognized amounts of 2022 and 2021.

The information on the earnings appropriation as resolved by the board of directors and approved by the shareholders' meeting is available at the "Market Observation Post System" of the Taiwan Stock Exchange.

**(29) Non-Operating Income and Expenses**

(A) Interest income:

Items	For the Years Ended December 31,	
	2022	2021
Cash in bank	\$ 85,535	\$ 29,016
Others	5,600	6,013
Total	<u>\$ 91,135</u>	<u>\$ 35,029</u>

(B) Other income

Items	For the Years Ended December 31,	
	2022	2021
Rental income	18,841	24,799
Dividend income	22,272	13,249
Total	<u>\$ 41,113</u>	<u>\$ 38,048</u>

(C) Other gains and losses, net:

Items	For the Years Ended December 31,	
	2022	2021
Foreign exchange gain (loss)	\$ 74,452	\$ 15,368
Gain (loss) from disposal of property, plant and equipment	120	(333)
Gain (Loss) on lease modification	-	62
Gain (Loss) on financial assets at fair value through profit and loss	(109,934)	82,270
Government grant	22,288	17,600
Others	30,361	9,315
Total	<u>\$ 17,287</u>	<u>\$ 124,282</u>

(D) Finance costs:

Items	For the Years Ended December 31,	
	2022	2021
Bank loan interest	\$ 47,093	\$ 65,437
Other loan interest	2,492	5,854
Short-term notes and bills payable interest	12,235	7,017
Lease liability interest	894	569
Other liabilities interest	4	-
Total	<u>\$ 62,718</u>	<u>\$ 78,877</u>

**(30) Income Tax**

(A) A reconciliation between tax expense and the product of accounting profit at applicable tax rate was as follows:

Items	For the Years Ended December 31,	
	2022	2021
Profit from continuing operations	<u>\$ 1,703,996</u>	<u>\$ 401,569</u>
Income tax expense at the statutory rate	362,356	73,663
Effect from items disallowed by tax regulation	11,979	(21,598)
Tax effect of deferred tax assets / liabilities	(28,001)	82,174
Deferred loss	24,792	18,768
Current income tax payable	371,126	153,007
Current income tax payable in prior years	18,459	3,340
Undistributed earnings subject to 5%	2,387	378
Current income tax expense	391,972	156,725
Deferred income tax expense (income)	28,001	(79,265)
Income tax expense	<u>\$ 419,973</u>	<u>\$ 77,460</u>

(B) Components of income tax expense (income) were as follows:

Items	For the Years Ended December 31,	
	2022	2021
Current income tax expense:		
Current income tax payable	\$ 371,126	\$ 153,007
Current income tax payable in prior years	18,459	3,340
Undistributed earnings subject to 5%	2,387	378
Non-deductible ratio from surplus repatriation	-	-
Deferred income tax expense :		
Deferred tax expense (income) relating to origination and reversal of temporary differences	28,001	(82,174)
Unrecognized deferred income tax expenses of period previous	-	2,909
Income tax expense	<u>\$ 419,973</u>	<u>\$ 77,460</u>

(C) Income tax recognized in other comprehensive income was as follows:

Items	For the Years Ended December 31,	
	2022	2021
Exchange differences on translation of foreign operations	\$ 38,820	\$ (4,862)
Unrealized gain (loss) from available-for-sale financial assets	-	-
Cash flow hedges	-	-
Actuarial gain (loss) on defined benefit plans	1,827	1,382
Income tax relating to components of other comprehensive income	<u>\$ 40,647</u>	<u>\$ (3,480)</u>

(D) Deferred income tax assets (liabilities) were as follows:

For the Year Ended December 31, 2022

Items	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Income and expense recognized in equity	Exchange differences on translation	Ending balance
Temporary difference:						
Inventory valuation and obsolescence losses	\$ 1,822	\$ -	\$ -	\$ -	\$ -	\$ 1,822
Foreign investment recognized under equity method	(258,694)	(54,947)	-	-	-	(313,641)
Impairment loss	6,955	-	-	-	-	6,955
Provision - repair warranty	40,089	8,862	-	-	-	48,951
Allowance for doubtful accounts	158,975	22,607	-	-	2,222	183,804
Accrued pension liability	8,472	-	(1,827)	-	-	6,645
Foreign exchange gains and losses	(4,043)	(3,398)	-	-	-	(7,441)
Exchange differences on translation of foreign operations	84,926	-	(38,820)	-	-	46,106
Engineering loss	19,869	(1,590)	-	-	(175)	18,104
No vacation bonus estimate	2,541	465	-	-	-	3,006
Deferred income tax (expense) income		<u>\$ (28,001)</u>	<u>\$ (40,647)</u>	<u>\$ -</u>	<u>\$ 2,047</u>	
Deferred income tax assets (liabilities), net	<u>\$ 60,912</u>					<u>\$ (5,689)</u>
Expression of the information in the balance sheet:						
Deferred income tax assets	<u>\$ 237,885</u>					<u>\$ 271,247</u>
Deferred income tax liabilities	<u>\$ (176,973)</u>					<u>\$ (276,936)</u>

For the Year Ended December 31, 2021

Items	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Income and expense recognized in equity	Exchange differences on translation	Ending balance
Temporary difference:						
Inventory valuation and obsolescence losses	\$ 1,822	\$ -	\$ -	\$ -	\$ -	\$ 1,822
Foreign investment recognized under equity method	(270,449)	11,755	-	-	-	(258,694)
Impairment loss	10,020	(3,065)	-	-	-	6,955
Provision - repair warranty	36,115	3,974	-	-	-	40,089
Allowance for doubtful accounts	96,312	61,969	-	-	694	158,975
Accrued pension liability	9,854	-	(1,382)	-	-	8,472
Foreign exchange gains and losses	(3,170)	(873)	-	-	-	(4,043)
Exchange differences on translation of foreign operations	80,064	-	4,862	-	-	84,926
Engineering loss	14,492	5,377	-	-	-	19,869
No vacation bonus estimate	2,413	128	-	-	-	2,541
Deferred income tax (expense) income		<u>\$ 79,265</u>	<u>\$ 3,480</u>	<u>\$ -</u>	<u>\$ 694</u>	
Deferred income tax assets (liabilities), net	<u>\$ (22,527)</u>					<u>\$ 60,912</u>
Expression of the information in the balance sheet:						
Deferred income tax assets	<u>\$ 170,057</u>					<u>\$ 237,885</u>
Deferred income tax liabilities	<u>\$ (192,584)</u>					<u>\$ (176,973)</u>

(E) The Company's and RSEA Engineering Corporation privatized 2009's income tax returns for the years both through 2020, have been examined by the tax authority.

**(31) Earnings Per Share**

For the Year Ended December 31, 2022			
	Amount	Number of shares (thousand)	Earnings per share (NT\$)
Basic earnings per share:			
Net income available to common shareholders	\$ 999,138	225,541	\$ 4.43
Assumed conversion of all dilutive potential ordinary shares:			
Employee bonus (Note)	-	1,552	
Net income available to shareholders (including effect of dilutive potential common shares)	\$ 999,138	227,093	\$ 4.40
For the Year Ended December 31, 2021			
	Amount	Number of shares (thousand)	Earnings per share (NT\$)
Basic earnings per share:			
Net income available to common shareholders	\$ 321,400	225,541	\$ 1.43
Assumed conversion of all dilutive potential ordinary shares:			
Employee bonus (Note)	-	577	
Net income available to shareholders (including effect of dilutive potential common shares)	\$ 321,400	226,118	\$ 1.42

Note : These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of outstanding shares used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date.

The dilutive effects of the potential shares needs to be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.



**(32) Supplemental Cash Flow Information**

- (A) The Company and subsidiaries increased “right-of-use assets” and “lease liability” both by \$138,960 thousand and \$4,211 thousand in 2022 and 2021, respectively.
- (B) The Company and subsidiaries decreased “right-of-use assets” and “lease liability” both by \$234 thousand and \$1,404 thousand, respectively due to the revision of lease in 2022 and 2021.
- (C) The subsidiary of the Company approved debt-for-stock capital increase in June, 2022. Other payables- related parties decreased by \$233,440 thousand, and noncontrolling interests increased by \$233,440 thousand.

**(33) Reconciliation of Liabilities with Financing Activities****(A) Reconciliation information on liabilities in 2022:**

Items	Jan. 1, 2022	Cash flow	Changes in non-cash items	Exchange rate changes	Dec. 31, 2022
Short-term borrowings	\$ 1,562,863	\$ 466,787	\$ -	\$ 2,401	\$ 2,032,051
Short-term notes and bills payable	1,648,743	(350,000)	(1,205)	-	1,297,538
Long-term borrowings (including maturity within one year)	1,738,215	(76,716)	-	(2,873)	1,658,626
Other payables (finance loan)	23,532	-	-	2,580	26,112
Other payables - related parties (finance loan)	239,614	-	(233,440)	20,418	26,592
Guarantee deposits received	222,271	13,165	-	-	235,436
Lease liability (Including maturity within one year)	25,335	(28,433)	138,726	636	136,264

(B) Reconciliation information on liabilities in 2021:

Items	Jan. 1, 2021	Cash flow	Changes in non-cash items	Exchange rate changes	Dec. 31, 2021
Short-term borrowings	\$ 1,506,203	\$ 52,722	\$ -	\$ 3,938	\$ 1,562,863
Short-term notes and bills payable	1,348,823	300,000	(80)	-	1,648,743
Long-term borrowings (including maturity within one year)	2,472,174	(735,415)	-	1,456	1,738,215
Other payables (finance loan)	8,430	15,272	-	(170)	23,532
Other payables - related parties (finance loan)	233,380	-	-	6,234	239,614
Guarantee deposits received	170,635	51,636	-	-	222,271
Lease liability (Including maturity within one year)	45,407	(22,857)	2,807	(22)	25,335

**7. Significant Transactions with Related Parties**

Transactions, account balances and revenue and expense between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note.

Transactions between the Group and other related parties were as follows:

(1) Related Parties and Relationship:

Related parties	Relationship
Sunshine Earth Inc.	Other related party
Chengdu Sunshine – Earth Landscape Engineering Co., Ltd.	Other related party
White Young Investment Co., Ltd.	The corporate directors of the Company
Shen Shen Investment Co., Ltd.	The corporate directors of the Company
Yao, Chu-Shiang	Chairman of the Company
Yao, Chih-Huai	First degree of kinship of the chairman of the Company
Yao, Chih-Wei	First degree of kinship of the chairman of the Company

(2) Significant Transactions with Related Parties:

(A) Operating Revenues:

	For the Years Ended December 31,	
	2022	2021
Other related parties	\$ 5,537	\$ 2,360

The Group's project income from related parties and non-related parties is based on general engineering contract or agreed conditions.

In addition, there is no material difference in the Group's credit term between related parties and general customers, which depends on the Group's engineering contract or individual agreed conditions.

(B) Operating Leases:

The Group's key management leased land and offices to the Group. The rent is paid monthly. For the years ended December 31, 2022 and 2021, \$2,400 thousand per year were recognized as rental expenses.

(C) Contract Assets - Current:

	Dec. 31, 2022	Dec. 31, 2021
<u>Real estate construction</u>		
Other related parties	\$ 7,985	\$ 2,454

(D) Accounts Payable - Related Parties:

	Dec. 31, 2022	Dec. 31, 2021
Other related parties	\$ 273	\$ 1,605

(E) Other Payables - Related Parties (finance loan):

	Dec. 31, 2022	Dec. 31, 2021
Other related parties	\$ 26,592	\$ 239,614

(F) Guarantee deposits paid - Related Parties:

	Dec. 31, 2022	Dec. 31, 2021
The key management	\$ 500	\$ 500

(G) Long-term borrowings:

	Dec. 31, 2022	Dec. 31, 2021
Other related parties	\$ 260,249	\$ 256,237

(H) Other Intercompany Debts:

	Items	Dec. 31, 2022	Dec. 31, 2021
Other related parties	Other short-term borrowings	\$ 155,708	\$ 153,308

(I) Remuneration Information of Directors, Supervisors and Key Management:

Items	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 29,616	\$ 26,839
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	<u>\$ 29,616</u>	<u>\$ 26,839</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

## 8. Pledged Assets

(1) The Group offered the following assets as collateral of bank loans, performance bonds, retention bonds and convertible bonds:

Items	Dec. 31, 2022	Dec. 31, 2021
Restricted assets:		
Savings account	\$ 2,650,947	\$ 1,194,412
Time deposits	1,210,894	1,245,284
Notes receivable	-	130,290
Property, plant, and equipment	152,705	158,706
Total	<u>\$ 4,014,546</u>	<u>\$ 2,728,692</u>

(2) The Group's following restricted assets was frozen by the court due to litigation. For the Information of litigation, Please refer to Note 9(11).

Items	Dec. 31, 2022	Dec. 31, 2021
Restricted assets:		
Property, plant, and equipment	\$ 187,974	\$ 198,327
Investment property	7,105	8,335
Right-of-use assets	4,202	-
Total	<u>\$ 199,281</u>	<u>\$ 206,662</u>

(3) L&K Engineering (SUZHOU) Co., Ltd. provided a carrying amount \$568,333 thousand of the share of RSEA Construction Engineering (Chongqing) Co., Ltd. as collateral for long-term borrowing.

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

- (1) As of December 31, 2022 and 2021, the Group entered into unfinished construction contracts of \$207,604,205 thousand and \$136,704,425 thousand respectively.
- (2) As of December 31, 2022 and 2021, the Group had guarantee notes payable for performance bonds, advance payment, warranty, and bid bonds of \$35,784,132 thousand and \$14,595,383 thousand, respectively.
- (3) As of December 31, 2022 and 2021, the Group had guarantee notes receivable for performance bonds and warranty of \$10,354,852 thousand and \$5,476,910 thousand, respectively.
- (4) As of December 31, 2022 and 2021, the Group had unused loan credits amounted to \$11,917,861 thousand and \$12,401,311 thousand, respectively.
- (5) As of December 31, 2022 and 2021, utilized endorsement and guarantee provided by banks for performance bonds and warranty were \$15,544,969 thousand and \$15,895,874 thousand, respectively.
- (6) As of December 31, 2022 and 2021, the Group's issued letters of credit were \$99,687 thousand and \$13,893 thousand, respectively.
- (7) The subsidiary RSEA Engineering Corporation privatized in 2009 subcontracted a highway construction project to Royal Construction Contract Corporation (hereinafter referred to as "Royal") but terminated the subcontraction subsequently due to Royal's violation of the contract. Then RSEA Engineering Corporation privatized in 2009 failed to recover Royal's excessive requisition of reinforced steel bar though two written requests. Thus RSEA Engineering Corporation privatized in 2009 filed a lawsuit against Royal on July 25, 2023, and its owner to claim the reinforced steel bar or \$5,690 thousand plus delay interest if the reinforced steel bar cannot be returned (now amended to \$4,877 thousand). The main disputes include whether the termination was unilaterally or bilaterally proposed, the amount of reinforced steel bar scrap, and the offset amount against fee payable to Royal.
- The judgement by Taiwan Taipei District Court ruled that Royal should reimburse \$3,090 thousand on April 23, 2015. Both RSEA Engineering Corporation privatized in 2009 and Royal appealed to Taiwan High Court with filing number 2015-Jian shang-55. The judgement was rendered on December 7, 2021, achieving a partial victory and a partial defeat. RF Construction is required to pay RSEA Engineering Corporation \$3,186 thousand for the rebars and \$569 thousand for the rebar management fee received in excess of 10%. Interest on both payment shall be calculated from August 2, 2013. However, the request for the return of overtime wages \$304 thousand which was granted in the original judgment, and for the return of salary expense of \$818 thousand including interest paid for June and July which was appealed for in the court of second instance, was denied. The court of second instance ruled that RF Construction shall pay \$3,755 thousand, which was \$665 thousand more than the amount granted in the court of first instance. RF Construction petitioned for an appeal to the court of third instance on January 5, 2022, and is currently awaiting notification from the Supreme Court.
- (8) JAN DE NUL NV. (hereinafter referred to as "JDN") signed the construction contract with RSEA Engineering Corporation privatized in 2009 on May 12, 2017. Both parties had an argument with construction payment of dredging survey, standby fee, and miscellaneous fee. JDN demanded RSEA Engineering Corporation privatized in 2009 to pay \$143,850 thousand. RSEA Engineering Corporation privatized in 2009 countercharged JDN to pay \$6,080 thousand of compensation and expense paid on behalf of JDN. The case was into legal proceeding on Mar. 29, 2019. The oral hearing has been held on April 23, 2021. According to the order of arbitral tribunal, the closing statement, list of litigation

costs, and a statement in response to the opposing party's closing statement shall be submitted. Arbitral tribunal made arbitral award on May 4, 2022 that the Company should pay EUR 4,300 thousand, 60% of arbitration fee and lawyer fee of JDN \$455 thousand at 5.33% default interest per annum calculated from the day following the receipt of the arbitral award. RSEA Engineering Corporation (privatized in 2009) paid off all on June 22, 2022. However, RSEA Engineering Corporation (privatized in 2009) disagreed with standby fee and proposed to withdraw the arbitration proceedings on August 4, 2022. The case is now being reviewed.

- (9) CTCI Smart Engineering Corporation (hereinafter referred to as "CTCP"), subcontracted a water power construction from RSEA Engineering Corporation privatized in 2009. CTCI withdrew from the site since CTCI considered the contract had been terminated because of the construction delay and the disputed contract scope of work during litigation. CTCI demanded the construction payment of \$58,763 from accusation. The lawsuit, under a filing number 2021-Chien-12, is waiting for court session of the Taipei District Court.

- (10) RSEA Engineering undertook the Nanhua Dam Sediment Sluiceway Tunnel Construction Project, of which the employer was South Region Water Resources Office. RSEA Engineering claimed that many incidents are not attributable to RSEA during the construction period, such as the seepage of the cofferdam affecting the construction of the water inlet and a reason-unknown fire causing damage and repairment of the anti-silting tunnel, etc. RSEA Engineering has requested for multiple times in the construction period to extend the construction period in accordance with the contract, and the project employer should approve each request of extension of the construction period due to incidents which cannot be attributed to RSEA. However, after the confirmation of the acceptance, the project employer still decided that the extension of the construction period proposed by RSEA should be resolved by requesting the dispute settlement in accordance with the contract or filing the lawsuit. Approximately \$668 million was temporarily withheld according to the certificate of acceptance and settlement, which will be adjusted or returned after the conclusion of the dispute settlement (or lawsuit).

During project acceptance in April, 2021, RSEA already sent a letter for asking the extension of the construction period due to incidents which cannot be attributed to RSEA and communicated with South Region Water Resources Office for multiple times about the result of not approving the extension of the construction period. However, South Region Water Resources Office stated that it had responded to the contractor based on the opinion of the specialized management unit. If disagreed, the contractor had to submit a request in accordance with the dispute resolution clause of the contract, sending a request letter again on January 12, 2022 to South Region Water Resources Office for settling of the extension of the construction period and the payment of deferred interest and management fee due to the extension of the construction period. RSEA already applied to Public Construction Commission, Executive Yuan for mediation on June 20, 2022. Therefore, as December 31, 2022, RSEA has recognized impairment 131,970 thousand provisionally. As of the financial report date, RSEA is still in the process of coordinating with the project employer and relevant units.

- (11) L&K Engineering (SUZHOU) Co., Ltd. (hereinafter referred to as "L&K Suzhou"), the subsidiary of the Company, signed a construction contract of "Clean package contract of semiconductor wafer project" with Hangzhou Semiconductor Wafer Co., Ltd. (hereinafter referred to as "Hangzhou S.W."). In the process of construction, Hangzhou S.W. did not transfer the construction site to L&K Suzhou immediately, but also obstruct L&K Suzhou entering to the site. This situation was a breach of contract, and caused the construction contract suspended. Hangzhou S.W. was accused of breaching of contract by L&K Suzhou to Zhejiang Hangzhou Intermediate People's Court, demanding termination of contract, RMB127,118 thousand of construction payment, and RMB1,272 thousand of compensation on Jun. 11, 2019. After that, L&K Suzhou received the countercharge by Hangzhou S.W. from Zhejiang Hangzhou Intermediate People's Court on August 13, 2019. Hangzhou S.W. demanded the compensation of RMB69,000 thousand because of the breach of contract. Zhejiang Hangzhou Intermediate People's Court rejected the countercharge by Hangzhou S.W. on October 19, 2020. Hangzhou S.W. disagreed and appealed. Zhejiang High

People's Court turned down the trial because the facts are unclear. On December 26, 2022, Hangzhou Intermediate People's Court made the judgement again turning down the request of appeal of Hangzhou S.W. and Hangzhou S.W. was responsible for the fee. Hangzhou S.W. disagreed and appealed again. The lawsuit is now being reviewed by Zhejiang Hangzhou High People's Court after Hangzhou S.W. filed the appeal. L&K Suzhou also applied the property replacement for the property amount of RMB49,265 thousand, and agreed by Zhejiang Hangzhou Intermediate People's Court on Dec. 21, 2020. On November 12, 2021, Zhejiang Hangzhou Intermediate People's Court made first-instance judgement that Hangzhou S.W. has to pay L&K Suzhou RMB109,130 thousand plus related interest ( quality assurance deposit not included) which L&K Suzhou has the priority. Both L&K Suzhou and Hangzhou S.W. disagreed and appealed. Zhejiang High People's Court turned down the trial because the facts are unclear on May 24, 2022. The lawsuit is now on the process of sending back for the retrial.

- (12) On March 7, 2017, Feng-Tian Construction Engineering Co., Ltd. (hereinafter referred to as "Feng-Tian") requested the Company to pay \$24,887 thousand for cost of project at 5% annual interest for default from the day after the delivery of the written copy of the complaint letter to the date of settlement. This case is currently under review by the Taipei District Court. Feng-Tian filed for a payment order with the Shilin District Court on January 2, 2020, ordering the Company to pay the retention of NT\$4,392 thousand at 5% default interest per annum calculated from December 28, 2017 to the date of settlement. The Company made an objection with the court on January 9, 2020. The case is currently under review by the Taipei District Court.

On October 27, 2022, the court advised the two parties to settle. After the two parties both agreed, the case was transferred to mediation on December 27, 2022. The case is still in mediation proceeding.

- (13) Hung Bao Engineering Co., Ltd. (hereinafter referred to as "Hung Bao") undertook L&K Engineering's project "TSMC F15 P7 MEP Package-Fire House Environmental Management System Engineering" and "TSMC F15P7 FAB B3G-B1F Fire Hydrant Pipeline (including Hydrant Box) Construction." Hung Bao had a shortage of workers, unreasonable withdrawal and other violations of the contract, resulting in damage to the Company. The Company therefore offset the project payment of Hung Bao and the creditors' rights of RSEA Engineering Corporation (privatized 2009) for Kaohsiung station project. Hung Bao filed a lawsuit with Shilin District Court on March 18, 2021, requesting the Company pay 5 million for damages. However, there is still a possibility of settlement because the affiliated company of Hung Bao is the Company's undertaker in Kaohsiung station project. Therefore, the dispute is now be negotiated in private by the directors of the Company and the person in charge of Hung Bao. The case was transferred to mediation and in mediation proceeding.

## **10. Significant Loss from Natural Disaster: None.**

## **11. Significant Subsequent Events:None.**

## **12. Others**

### **(1) Capital Management**

The Group manages its capital to ensure its ability to continue as a going concern while maximizing the returns to shareholders. The Group has maintained a consistent policy for the year 2022.

The capital structure of the Group consists of the Company's equity attributable to the shareholders (including capital, capital surplus, retained earnings, and other equities).

The Group is not subject to any externally imposed capital requirements.

The Group periodically reviews its capital structure by taking into consideration macroeconomic conditions, prevailing interest rate, and adequacy of cash flows generated from operations. As the situation would allow, the Group pays dividends, issues new shares, repurchases shares, issues new convertible bonds, and redeems convertible bonds to adjust its capital structure.



## (2) Financial Instruments

### (A) Fair value of financial instruments:

(a) The management considers that the carrying amounts of financial assets and financial liabilities with unmeasurable fair value approximate their fair value or the fair value are not measured reliably.

### (b) Fair value measurements recognized in the consolidated balance sheets:

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### (c) Financial instruments measured at fair value:

#### December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - domestic listed stocks	\$ 192,358	\$ -	\$ -	\$ 192,358
Financial assets at FVTPL – foreign bank debentures	\$ 4,620	\$ -	\$ -	\$ 4,620
Financial assets at fair value through other comprehensive income - noncurrent	\$ -	\$ 218,942	\$ 296,489	\$ 515,431

#### December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - domestic listed stocks	\$ 302,292	\$ -	\$ -	\$ 302,292
Financial assets at fair value through other comprehensive income - noncurrent	\$ -	\$ 127,982	\$ 226,002	\$ 353,984

There were no transfers between Level 1 and 2 for the years ended December 31, 2022 and 2021.

### (d) Valuation techniques and assumptions applied for the purposes of measuring fair value:

The fair values of financial assets and financial liabilities are determined as follows:

- (i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed stocks, emerging market stocks, convertible bonds, and open-end mutual funds). If such prices are not available, valuation techniques are adopted. Estimates and assumptions used in valuation techniques are consistent with the information used by market participants in determining the prices of financial instruments.
- (ii) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Valuation methods incorporate assumptions that marketplace

participants would use in their estimates of fair value whenever that information is available without undue cost and effort.

(e) The changes in Financial assets at fair value through other comprehensive income - noncurrent equity instruments without public quotation level 3 were as follow:

	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 226,002	\$ 152,528
Recognized in other comprehensive gains and losses	(17,733)	23,474
Obtained in this period	88,230	50,000
Disposal in this period	-	-
Effect of exchange rate changes	(10)	-
Ending balance	<u>\$ 296,489</u>	<u>\$ 226,002</u>

(f) The quantitative analysis of the significant unobservable inputs of the evaluation model used in the level 3 fair value measurement project and the sensitivity analysis of significant unobservable inputs are as follows:

Non-derivative equity instruments	Dec.31,2022 Fair value	Evaluation technique	Major unobservable input value	Interval (weighted average)	Input value and fair value relationship
Unlisted company stock	\$ 148,850	Net asset value method	Not applicable	-	Not applicable
Unlisted company stock		Can be compared to the listed companies	<ul style="list-style-type: none"> <li>●Net market value multiplier</li> <li>●Lack of market liquidity discount</li> </ul>	-	<ul style="list-style-type: none"> <li>●The higher the multiplier, the higher the fair value</li> <li>●Lack of market circulation, the higher the discount, the lower the fair value</li> </ul>
	\$ 147,639				
Non-derivative equity instruments	Dec.31,2021 Fair value	Evaluation technique	Major unobservable input value	Interval (weighted average)	Input value and fair value relationship
Unlisted company stock	\$ 138,443	Net asset value method	Not applicable	-	Not applicable
Unlisted company stock		Can be compared to the listed companies	<ul style="list-style-type: none"> <li>●Net market value multiplier</li> <li>●Lack of market liquidity discount</li> </ul>	-	<ul style="list-style-type: none"> <li>●The higher the multiplier, the higher the fair value</li> <li>●Lack of market circulation, the higher the discount, the lower the fair value</li> </ul>
	\$ 87,559				

(g) For the level 3 of fair value measurement, the sensitivity of fair value to reasonable possible alternative assumptions is reasonable.

The fair value measurement of financial instruments is reasonable, but the use of different evaluation models or evaluation parameters may result in different evaluation results. For financial instruments classified as Level 3, if the evaluation parameters change, the impact on other comprehensive gains and losses in the current period is as follows:

		December 31, 2022	
	input value	Change up or down	Favorable change
Financial assets - equity instruments	Net asset value method	±10%	\$ 14,885
	Net market value multiplier	±10%	\$ 14,764
	Liquidity discount	±10%	\$ 14,764
		December 31, 2021	
	input value	Change up or down	Favorable change
Financial assets - equity instruments	Net asset value method	±10%	\$ 13,844
	Net market value multiplier	±10%	\$ 8,756
	Liquidity discount	±10%	\$ 8,756

(B) Categories of financial instruments:

	Dec. 31, 2022	Dec. 31, 2021
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 196,978	\$ 302,292
Financial assets at fair value through other comprehensive income - noncurrent	515,431	353,984
Financial assets valued by amortized cost:		
Cash and cash equivalents	9,955,154	4,219,083
Accounts receivable	6,222,669	6,220,065
Contract assets - current	2,360,123	1,719,451
Other financial assets	4,769,250	3,420,055
Total	\$ 24,019,605	\$ 16,234,930

#### Financial liabilities

Financial liabilities valued by amortized cost:

Short-term borrowings, notes, and bills

payable	\$ 3,329,589	\$ 3,211,606
Accounts payables	11,686,270	10,072,539

	Dec. 31, 2022	Dec. 31, 2021
Long-term borrowings	1,658,626	1,738,215
Lease liability	136,264	25,335
Total	<u>\$ 16,810,749</u>	<u>\$ 15,047,695</u>

**(3) Financial Risk Management Objectives and Policies**

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The aforementioned risk identification, measurement and management are in accordance with the Group's policy and risk preference.

The plans for material treasury activities are reviewed by audit committees and/or board of directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, corporate treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

**(A) Market risk**

**(a) Foreign currency risk**

The Group's businesses involve some non-functional currency operations. The Company's and certain subsidiaries' functional currency is NTD; other certain subsidiaries' functional currencies are USD and RMB. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations was as follows:

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 14,863	30.720	\$ 456,591
RMB : NTD	88,582	4.411	390,735
SGD : NTD	12,477	22.874	285,399
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 2,616	30.720	\$ 80,364
RMB : NTD	5,024	4.411	22,161
December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 8,436	27.685	\$ 233,551

December 31, 2021				
	Foreign currency amount (In thousands)	Exchange rate	Book value	
RMB : NTD	191,383	4.343	831,176	
SGD : NTD	5,698	20.454	116,547	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 4,172	27.685	\$	115,502
RMB : NTD	1,031	4.343	4,478	
For the Year Ended December 31, 2022				
	Change margin	Impact of profit and loss	Impact of comprehensive profit and loss	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 4,566	\$	-
RMB : NTD	1%	3,907	-	
SGD : NTD	1%	2,854	-	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 804	\$	-
RMB : NTD	1%	222	-	
For the Year Ended December 31, 2021				
	Change margin	Impact of profit and loss	Impact of comprehensive profit and loss	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 2,336	\$	-
RMB : NTD	1%	8,312	-	
SGD : NTD	1%	1,165	-	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 1,155	\$	-
RMB : NTD	1%	45	-	

The Group's management think the sensitivity analysis cannot represent inherent risks of foreign exchange rate, because foreign exchange rate change risk at the balance sheet date cannot reflect the risk during the year. Foreign exchange gain/loss of the Group were \$74,452 thousand and \$15,368 thousand for the years ended December 31, 2022 and 2021, respectively.

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as fair value through profit or loss or at fair value through other comprehensive income. The Group will diversify investment portfolio to control the risk.

The Group invests primarily in publicly-traded equity instruments, and the price of those equity instruments will be affected by the uncertainty of future value of the investment. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$1,970 thousand and \$3,023 thousand because of gains/losses on equity securities classified as at fair value through profit or loss, other comprehensive gains/losses increased/decreased by \$5,154 thousand and \$3,540 thousand, respectively.

(c) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rate.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2022 and 2021, the Group's long-term borrowings were issued at variable rates, denominated in NTD and USD.

On December 31, 2022 and 2021, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have been increased/decreased by \$13,269 thousand and \$13,906 thousand.

(B) Credit risk

The Group's primary inherent credit risk arises from financial instruments related to cash and receivables. The Group's cash is deposited with various financial institutions. The Group administers its credit risk exposure to each financial institution and considers that cash are not subject to significant concentration of credit risk.

In order to minimize credit risk, the Group evaluates the financial conditions of its customers and when necessary, requests for collateral or guarantee. The Group also evaluates the collectabilities of its receivables on a regular basis and provide allowance accounts. Expected credit impairment loss has been within management's estimate.

As of December 31, 2022 and 2021 the Group's ten largest customers accounted for 82.18% and 42.16% of accounts receivable, respectively. The Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

(C) Liquidity risk

The Group maintains financial flexibility by cash, cash equivalents, and bank borrowing. The following table sets forth the Group's liquidity analysis for its non-derivative financial instruments. The table is based on the undiscounted contractual cash outflows assuming the earliest maturity date.

Non-derivative financial tool	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
<u>December 31, 2022</u>					
Short-term borrowings (including short-term notes and bills payable)	\$ 3,329,589	\$ -	\$ -	\$ -	\$ 3,329,589
Accounts payable	11,686,270	-	-	-	11,686,270
Long-term borrowings	326,907	1,007,228	19,743	313,262	1,667,140
Lease liability	79,632	54,498	5,193	1	139,324
<u>December 31, 2021</u>					
Short-term borrowings (including short-term notes and bills payable)	\$ 3,211,606	\$ -	\$ -	\$ -	\$ 3,211,606
Accounts payable	10,072,539	-	-	-	10,072,539
Long-term borrowings	270,370	253,554	925,929	318,713	1,768,566
Lease liability	11,320	8,014	5,879	810	26,023

**(4) Other Supplement**

The impact of COVID-19 pandemic on business:

The main business of the Group are the design and construction of electromechanical and process pipelines for biochemical aseptic rooms and clean rooms for electronics industry; as well as the construction of integrated construction industry and the construction of public works, etc. The revenue, cost and profit from each project is recognized as the completion of contract construction. The domestic project has not been affected by the COVID-19 epidemic; the project in Mainland China, suffered a short-term impact due to the slowdown of customer investment. However, in the long run, this will not affect the Group's long-term operations and core competitiveness in the Mainland China.

**13. Additional Disclosures**

**(1) Information on significant transactions:**

- (A) Lending funds to others: Please see Table A attached.
- (B) Providing endorsements or guarantees for others: Please see Table B attached.
- (C) Holding of securities at the end of the period: Please see Table C attached.
- (D) Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: None
- (E) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
- (F) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
- (G) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table D attached.
- (H) Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table E attached.



(I) Trading in derivative instruments: None.

(J) Business relationship between the parent company and its subsidiaries and important dealings circumstances and amount: Please see Table F attached.

(2) Information on investees: Please see Table G attached.

(3) Information on investments in the Mainland China:

(A) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table H attached.

(B) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table F and Table H attached.

(4) Main shareholder information: Please see Table I attached.

Table A : Lending funds to others

Unit: thousands of NTD(RMB)

No. (Note 1)	Financing Company	Counter - party	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (RMB in Thousands) (Note 3&9)	Ending Balance ( RMB in Thousands) (Note 8&9)	Amount Actually Drawn ( RMB in Thousands) (Note 9)	Interest Rate	Nature for Financ - ing (Note 4)	Total Transac - tion Amount (Note 5)	Reason for Financin g (Note 6)	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 7&9)	Financing Company's Total Financing Amount Limits (Note 7&9)	Notes
													Item	Value			
0	L&K Engineering Co., Ltd.	Unique Grand Limited	Other receivable - related parties	Yes	\$ 705,760 (RMB 160,000)	\$ 483,005 (RMB 109,500)	\$ 263,928 (RMB 59,834)	3.5%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$3,478,292	\$3,478,292	(Note10)
1	Unique Grand Limited	Sunshine (China) Inc.	Other receivable - related parties	Yes	\$ 690,322 (RMB 156,500)	\$ 689,090 (RMB 156,221)	\$ 689,090 (RMB 156,221)	3.5%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$837,188	\$837,188	(Note10)
2	Sunshine (China) Inc.	Xiang Sheng Investment Co., Ltd.	Other receivable - related parties	Yes	\$ 633,420 (RMB 143,600)	\$ 629,983 (RMB 142,821)	\$ 629,983 (RMB 142,821)	3.5%~ 4.75%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$870,289	\$870,289	(Note10)

Note 1: The number means:

(1) The securities issuer is coded "0".

(2) The subsidiaries are coded in order starting from "1".

Note 2: Accounts receivable from related parties, other receivables from related parties, shareholder loans, prepayments, temporary payments, etc.

Note 3: The highest balance with others in this year.

Note 4: The code represents the nature of financing activities as follow:

(1) Trading partners.

(2) Short-term financing.

Note 5: Total transaction amount refers to the business trading value between the borrower and lender in this year.

Note 6: Reason for financing refers to the purpose for short-term financing.

Note 7: The maximum amount for individual enterprise is 40% of the lender's networth as disclosed in the latest financial statement. The maximum amount for total loan is 40% of the lender's networth as disclosed in the latest financial statements. If borrowers are foreign companies whose voting rights are directly and indirectly wholly-owned by the Company, the limit is 50% of the lender's net worth as disclosed in the latest financial statement.

Note 8: The ending balance for the period represents the amounts approved by the Board of Directors.

Note 9: The above amounts were translated into New Taiwan dollars at the exchange rate of December 31, 2022.

Note 10: It was eliminated in the consolidated financial statement.

Table B : Providing endorsements or guarantees for others

Unit : thousands of NTD(USD/RMB/VND)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period (USD and RMB in Thousands) (Note 5)	Ending Balance USD and RMB in Thousands) (Note 5)	Amount Actually Drawn (Note 5)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name	Nature of Relationship											
0	L&K Engineering Co., Ltd.	L&K Engineering Vietnam Co., Ltd.	Note 2 (2)	\$ 8,695,729 (Note 3)	\$ 50,256 (USD1,636)	\$ 50,256 (USD1,636)	\$ 4,217 (VND 3,281,956)	\$ -	0.58%	\$17,391,458 (Note 3)	Y			Note 9
0	"	RSEA Engineering Corporation (privatized 2009)	Note 2 (2)	8,695,729 (Note 3)	1,863,000 (Note 4)	1,863,000 (Note 4)	1,402,074	-	21.42%	17,391,458 (Note 3)	Y			Note 9
1	L&K Engineering (SUZHOU) Co., Ltd.	Suzhou Xiang Sheng Trade Company Ltd.	Note 2 (2)	5,296,539 (Note 8)	170,029 (RMB39,000)	170,029 (RMB39,000)	-	-	3.25%	10,593,078 (Note 7&8)			Y	Note 9
1	L&K Engineering (SUZHOU) Co., Ltd.	L&K Engineering Company Limited	Note 2 (2)	5,296,539 (Note 8)	110,275 (RMB25,000)	110,275 (RMB25,000)	-	-	2.08%	10,593,078 (Note 7&8)				Note 9

Note 1: The number means:

- (1) The securities issuer is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The guarantee amount provided by the Company to a single guaranteed party shall not exceed one hundred percent (100%) of the net worth of L&K Engineering Co., Ltd. The ceiling for total guaranteed amount provided by the Company shall not exceed two hundred percent (200%) of the net worth of L&K Engineering Co., Ltd. The guarantee amount provided by the Company and subsidiaries to a single guaranteed party shall not exceed one hundred percent (100%) of the net worth of L&K Engineering Co., Ltd. The ceiling for total guaranteed amount provided by the Company and subsidiaries shall not

exceed two hundred percent (200%) of the net worth of L&K Engineering Co., Ltd. The net worth is based the latest audited or reviewed financial statements.

Note 4: As of December 31, 2022, L&K Engineering Co., Ltd. has endorsed secured promissory note of \$ 1,863,000 thousand for RSEA Engineering Corporation (privatized 2009) for operating needs.

Note 5: The above amounts were translated into New Taiwan dollars at the exchange rate of December 31, 2022.

Note 6: For guarantee provided by parent company, guarantee provided by a subsidiary, and guarantee provided to subsidiaries in mainland China, filled in Y.

Note 7: The amount is based on net worth of the endorsement/guarantee provider.

Note 8: The maximum endorsement/ guarantee amount policy of L&K Engineering (SUZHOU) Co., Ltd. is the same with the Company.

Note 9: It was eliminated in the consolidated financial statement.

Table C: Holding of securities at the end of the period

Unit: thousands of NTD

Holding Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	Remark
L&K Engineering Co., Ltd.	Listed stock	United Microelectronics Corporation	None	Financial assets at fair value through profit or loss	4,550	\$ 185,173	-	\$ 185,173	
"	"	Hua Nan Financial Holdings Co., Ltd.	"	"	320	7,185	-	7,185	
"	Unlisted stock	A2peak Power Co., Limited	"	"	2,000	-	5.44%	-	
						\$ 192,358			
"	Foreign bank debentures	Emirates NBD PJSC foreign bank debentures	"	Financial assets at fair value through profit or loss	-	\$ 4,620	-	\$ 4,620	
"	Unlisted stock	Bestample Investments Limited	None	Financial assets at fair value through other comprehensive income	-	\$ 143,368	15.00%	\$ 143,368	
"	"	United BioPharma Inc.	"	"	806	3,596	0.42%	3,596	
"	"	ProMOS Technologies Inc.	"	"	507	5,482	1.13%	5,482	
"	"	Cica-Huntek Chemical Technology Taiwan Co., Ltd.	"	"	2,500	55,823	7.58%	55,823	
RSEA Construction Engineering (Chongqing) Co., Ltd.	"	Xiamen United Phase III Integrated Circuit Industry Equity Investment Fund Partnership	"	"	-	88,220	3.96%	88,220	
L&K Engineering Co., Ltd.	Listed stock	PharmaEssentia Corporation	"	"	581	218,942	0.19%	218,942	
						\$ 515,431			

Table D: Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more

Unit: thousands of NTD

Purchases and sales company	Counterparty	Relationships with the counterparty	Transaction situation				Circumstances and reasons why trading conditions are different from ordinary trading		Notes and accounts receivable (paid)		Remark
			Purchase and sale	Amount	Percentage of total purchases and sales	Credit period	Unit price	Credit period	Balance	Percentage of total bills and accounts receivable (paid)	
L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	Subsidiary	Sales	\$ (591,084)	(5.47%)	30 days	\$ -	-	\$ 246,688	15.60%	Note 1

Note 1: Eliminated in the consolidated financial statements.

Table E: Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more

Unit: thousands of NTD(RMB)

Creditor	Counterparty	Relationships with the counterparty	Balance as at December 31,2022		Turnover rate	Overdue receivables		Amount collected subsequent to the balance date	Allowance of doubtful account	Remark
			Characteristic	Amount		Amount	Action taken			
L&K Engineering Co., Ltd.	Unique Grand Limited	Subsidiary	Other receivables	\$ 271,320 (RMB 61,510)	-	\$ -	-	\$ -	\$ -	Note
"	RSEA Engineering Corporation (privatized 2009)	"	Accounts receivables	246,688	-	-	-	-	-	Note
Unique Grand Limited	Sunshine (China) Inc.	Subsidiary	Other receivables	689,090 (RMB156,221)	-	-	-	-	-	Note
Sunshine (China) Inc.	Sunshine Investment Co., Ltd.	Subsidiary	Other receivables	629,983 (RMB142,821)	-	-	-	-	-	Note

Note : It was eliminated in the consolidated financial statement.



Table F: Intercompany relationships and significant intercompany transactions

Unit: thousands of NTD

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Terms	Percentage of Consolidated Operating Income or Total Assets (Note 3)
0	L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	(1)	Contract assets	\$ 24,102	Note 4	0.05%
0	L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	(1)	Contract liabilities	381,049	Note 4	0.78%
0	L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	(1)	Accounts receivable	246,688	Note 4	0.50%
0	L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	(1)	Construction income	591,084	Note 4	1.65%
0	L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	(1)	Accounts payable	4,412	Note 4	0.01%
0	L&K Engineering Co., Ltd.	Unique Grand Limited	(1)	Other receivables	271,320	Note 4	0.55%
0	L&K Engineering Co., Ltd.	Unique Grand Limited	(1)	Interest income	11,093	Note 4	0.03%
1	Unique Grand Limited	Sunshine (China) Inc.	(3)	Other receivables	689,090	Note 4	1.41%
2	Sunshine (China) Inc.	Xiang Sheng Investment Co., Ltd.	(3)	Other receivables	629,983	Note 4	1.29%
3	RSEA Construction Engineering (Chongqing) Co., Ltd.	Xiang Sheng Investment Co., Ltd.	(3)	Construction income	7,573	Note 4	0.02%
4	RSEA Engineering Corporation (privatized 2009)	L&K Engineering Co., Ltd.	(3)	Construction income	153	Note 4	-

Note 1: The transaction information of the Company and the consolidated subsidiaries should be noted in column “No.”. The number means:

(1) Parent company is “0”.

(2) The subsidiaries are numbered in order starting from “1”.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated operating income or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated operating income for income statement accounts.

Note 4: The sales prices and payment terms of intercompany transactions were not significantly different from those to third parties. For other intercompany transactions, terms were determined in accordance with mutual agreements.

Table G: Information on investees (Not including investees in Mainland China)

Unit: thousands of NTD(USD/RMB)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Foreign Currencies in Thousands) (Note 1)	Remark
				December 31, 2022 (Foreign Currencies in Thousands) (Note 1)	December 31, 2021 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands) (Note 1)			
L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	13 F, No.175, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 221, Taiwan	Note 2	\$ 2,525,589	\$ 2,525,589	270,047	83.65%	\$ 3,036,896	\$ 48,674	\$ 40,715	Note 7
"	L&K Engineering Co., Ltd. (BVI)	Tortola, British Virgin Islands	The business of imports and exports	1,615	1,615	-	100.00%	651,615	83	83	Note 7
"	Unique Grand Limited	Wanchai, HK	Engaged in regular trade	1,821,916	1,597,983	-	51.71%	1,082,275	(78,237)	(40,567)	Note 7
"	Formosa Medical Devices Inc.	16F, No.182, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan	Note 4	49,036	49,036	4,904	40.88%	-	-	-	
L&K Engineering (SUZHOU) Co., Ltd.	L&K Engineering Company Limited	Wanchai, HK	Note 5	61,044 (RMB 13,839)	60,103 (RMB 13,839)	-	100.00%	272,248 (RMB 61,720)	59,511 (RMB 13,596)	59,511 (RMB 13,596)	Note 7
L&K Engineering Company Limited	L&K Engineering Vietnam Co., Ltd.	Binh Thanh, Ho Chi Minh City, Vietnam	Note 3	78,336 (USD 2,550)	70,597 (USD 2,550)	-	51.00%	78,502 (USD 2,555)	5,676 (USD 194)	2,895 (USD 99)	Note 7

Note 1 : The above amounts were translated into New Taiwan dollars at the exchange rate of December 31, 2022.

Note 2 : Metal architectural components manufacturing, machinery and equipment manufacturing, cybernation equipment construction, machinery installation construction, integrated construction, public works construction and investment, and all business items that are not prohibited or restricted by law, except those that are subject to special approval.

Note 3 : Engaged in engineering, purchase, construction, and related business.

Note 4 : Engaged in medical equipment wholesale and retail.

Note 5 : Engaged in the business of imports and exports, customer development and after-sales services.

Note 6 : Engaged in management, investment consulting, computer software and internet certification service.

Note 7 : It was eliminated in the consolidated financial statement.

Table H : Information on the investees in Mainland China

Unit: thousands of NTD(USD/RMB)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Foreign Currencies in Thousands) (Note 1)	Method of Investment (Note 2)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (USD in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (USD in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Share of Profit /Losses (Note 3)	Carrying Amount as of December 31, 2022 (Foreign currencies in Thousands)	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
L&K Engineering (SUZHOU) Co., Ltd.	Note 5	\$ 941,131 (RMB213,360)	(a)	\$ 479,816 (USD15,619)	\$ -	\$ -	\$ 479,816 (USD15,619)	\$ 677,759	53.99%	\$ 365,944 (RMB83,606) (b)	\$ 2,861,814 (RMB648,328)	\$ 834,334
Suzhou Xiang Sheng Trade Company Ltd.	Note 6	88,220 (RMB20,000)	(c)	Note 11	-	-	Note 11	(7,666)	53.99%	(4,139) (RMB(946)) (b)	86,334 (RMB19,572)	-
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	Note 7	88,220 (RMB20,000)	(c)	Note 11	-	-	Note 11	373	53.99%	202 (RMB46) (b)	17,139 (RMB3,886)	-
RSEA Construction Engineering (Chongqing) Co., Ltd.	Note 8	567,644 (USD18,478)	(c)	190,863 (USD6,213)	-	-	190,863 (USD6,213)	(32,106)	53.99% Note 15	(17,334) (RMB(3,960)) (b)	306,843 (RMB69,563)	-
Sunshine (China) Inc.	Note 9	3,065,856 (USD99,800)	(b)	1,606,656 (USD52,300)	-	-	1,606,656 (USD52,300)	(61,419)	51.71% Note 12	(31,980) (USD(1,087)) (b)	900,053 (USD29,299)	-
Xiang Sheng Investment Co., Ltd.	Note 10	2,329,008 (RMB528,000)	(c)	Note 13	-	-	Note 13	(40,453)	51.71%	(21,156) (RMB(4,799)) (b)	915,074 (RMB207,453)	-

Investor Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
L & K Engineering Co., Ltd.	\$ 2,420,582 (USD78,795) (Note 1&14&15)	\$ 2,394,563 (USD77,948) (Note 1&14)	(Note 4)

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of December 31, 2022.

Note 2: (a) L&K Engineering Co., Ltd. directly invested.

(b) L&K Engineering Co., Ltd. indirectly invested in China company through a third region.

(c) Other

Note 3: (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

(a) The financial statements that were audited and attested by an international accounting firm which has cooperative relationship with an accounting firm in R.O.C.

(b) The financial statements were audited by the same CPA as L&K Engineering Co., Ltd.

(c) Other

Note 4: The Company complies with the operating document of the operating headquarters issued by Ministry of Economic Affairs, so there is no investment limit.

Note 5: Engaged in the business of manufacturing and sales of air conditioners, ceilings, and compartments.

Note 6: Providing service of environmental sanitation, anti-pollution, constructional contract, and management consultation.

Note 7: Fire engineering construction, fire engineering maintenance and fire equipment sales.

Note 8: Engaged in the business of manufacturing and sales of air conditioners, ceilings, and compartments.

Note 9: Engaged in land consolidation, construction of traveling and related facilities, sanitation and pollution prevention service, recreational service, construction and technical service, management consulting service.

Note 10: Engaged in investment of ecological touring business, property, and construction management consultation.

Note 11: Invested by L&K Engineering (SUZHOU) Co., Ltd.

Note 12: Invested by Unique Grand Limited.

Note 13: Invested by Sunshine (China) Inc.

Note 14: The investment authorized by Investment Commission, MOEA includes the Company's indirect investment \$155,474 (USD \$5,061 thousand) in 7.023% of Zhongao Plaza Management Co., Ltd., on which the Company does not have significant influence. The accumulated in Mainland China as of December 31, 2022 includes investment \$143,247 (USD \$4,663 thousand) in Zhongao Plaza Management Co., Ltd.

Note 15: The Company disposed of RSEA Construction Engineering (Chongqing) Co., Ltd. to L&K Engineering (SUZHOU) Co., Ltd in July, 2020. The proceeds amount was \$319,180 thousand (RMB76,304 thousand).

As of December 31, 2022, The Company has collected part of the proceeds and obtained the approval letter from the Investment Commission, MOEA.

Table I : Main shareholder information:

Unit: thousands shares

Major Shareholder	Number of shares (thousand)	Proportion of shares
Shen Shen Investment Co., Ltd.	23,856	10.57%
White Young Investment Co., Ltd.	13,756	6.09%

Note 1: The main shareholder information in this table is based on the last business day at the end of each quarter by Taiwan Depository & Clearing Corporation which calculates those shareholders hold more than 5% of the company's ordinary shares and special shares that have been delivered without physical registration. As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to the basis of calculation.

Note 2: If the shareholder delivers the shares to the trust, it is disclosed in individual accounts by the trustee who opened the trust account. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Market Observation Post System.

## 14. Segmental Financial Information

### (1) General information

The segment information provided to the chief operating decision-maker for allocating resources and assessing the performance of the operating segments focuses on each individual company's financial information.

The Company: The main business includes design and manufacture of hospitals, pharmaceutical and biochemically sterile rooms, electronics clean room, related mechanical and electrical peripherals, and manufacturing process pipelines, especially turnkey engineering services (total responsibility for contracting an integrated system from design, construction, test to verification.)

L1 Company: The main business includes system components, installation, and decorating construction of sterile and clean rooms.

L2 Company: The main business includes the manufacture of metal structures and building components, manufacture of machinery and equipment, automatic control equipment engineering, mechanical installation, integrated construction industry, and investment in infrastructure construction.

Other Companies: The combination of companies which do not meet the quantitative thresholds.

### (2) Measurement of segmental financial information

The chief operating decision-maker of the Group assesses the performance of the operating segments based on profit (loss) before tax, which is measured in a manner consistent with that in the consolidated financial statements.

### (3) Segment information

Items	For the Year ended December 31, 2022					
	The Company	L1 company	L2 company	Other companies	Adjustment and elimination	Total
Revenue from external customers						\$
	\$ 10,214,173	\$ 12,399,428	\$ 12,627,993	\$ 497,292	\$ -	35,738,886
Inter-segment revenue	591,084	7,573	153	-	(598,810)	-
Total	\$ 10,805,257	\$ 12,407,001	\$ 12,628,146	\$ 497,292	\$ (598,810)	\$ 35,738,886
Segmental pre-tax income	\$ 1,265,222	\$ 789,497	\$ 60,410	\$ (44,958)	\$ (366,175)	\$ 1,703,996

Item	December 31, 2022					
	The Company	L1 company	L2 company	Other companies	Adjustment and elimination	Total
Segment assets	\$ 28,140,454	\$ 11,199,623	\$ 14,365,481	\$ 3,868,483	\$ (8,555,799)	\$ 49,018,242

For the Year ended December 31, 2021						
Items	The Company	L1 company	L2 company	Other companies	Adjustment and elimination	Total
Revenue from external customers						\$
	\$ 4,651,757	\$ 8,019,606	\$ 9,555,889	\$ 1,525,577	\$ -	23,752,829
Inter-segment revenue	343,055	49,639	1,161	-	(393,855)	-
Total	\$ 4,994,812	\$ 8,069,245	\$ 9,557,050	\$ 1,525,577	\$ (393,855)	\$ 23,752,829
Segmental pre-tax income	\$ 374,626	\$ 53,354	\$ 47,373	\$ (51,907)	\$ (21,877)	\$ 401,569
December 31, 2021						
Item	The Company	L1 company	L2 company	Other companies	Adjustment and elimination	Total
Segment assets	\$ 14,229,252	\$ 9,384,189	\$ 12,687,548	\$ 3,934,497	\$ (7,995,563)	\$ 32,239,923

(4) Financial information by industry

Items	For the Year Ended December 31,	
	2022	2021
Sales revenue	\$ 1,669,316	\$ 1,510,163
Engineering revenue	34,069,570	22,242,666
Total	\$ 35,738,886	\$ 23,752,829

(5) Financial information by geographic area

(A) Net revenue from external customers:

Areas	For the Years Ended December 31,	
	2022	2021
Taiwan	\$ 22,792,634	\$ 14,197,344
China	11,133,520	8,018,553
Other areas	1,812,732	1,536,932
Total	\$ 35,738,886	\$ 23,752,829

(B) Noncurrent assets:

Areas	Dec. 31, 2022	Dec. 31, 2021
Taiwan	\$ 474,388	\$ 414,491
China	3,045,347	3,024,721
Other areas	287,949	158,436
Total	\$ 3,807,684	\$ 3,597,648

The Group categorized the net revenue based on the country in which the customer is headquartered. Noncurrent assets include property, plant and equipment, investment property, intangible assets, right-of-use assets, prepayment for business facilities and other noncurrent assets.



(6) Major customers information

The following external customers individually account for 10% or more of the Group's net revenue:

Customers	For the Year Ended December 31, 2022	
	Amount	%
Company U1	\$ 4,359,870	12.20%
Company D1	3,609,508	10.10%
	<u>\$ 7,969,378</u>	<u>22.30%</u>

Customers	For the Year Ended December 31, 2021	
	Amount	%
Company D1	\$ 3,293,311	13.86%
Company L1	2,962,934	12.47%
	<u>\$ 6,256,245</u>	<u>26.33%</u>

**L&K Engineering Co., Ltd.**  
**Parent Company Only Financial Statements**  
**and Independent Auditors' Report**  
**for the Years Ended December 31, 2022 and 2021**

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The English financial statements were translated from the financial statements originally prepared in Chinese.

**L&K Engineering Co., Ltd.**  
**Parent Company Only Financial Statements**  
**and Independent Auditors' Report**  
**for the Years Ended December 31, 2022 and 2021**  
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**L&K Engineering Co., Ltd.**  
**Independent Auditors 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:

(3) 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.

**(4) 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.

A handwritten signature in dark ink, appearing to read "L.H. Chen", is positioned above a horizontal line.

March 10, 2023

### Notice to Readers

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

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



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

Unit : NT\$1,000

	December 31, 2022		December 31, 2021			December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Equity</b>				
<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>	18,874,034	66	5,273,697	36
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>	19,516,172	70	6,441,785	45	2540 Long-term borrowings (Note 6(18))	230,501	1	934,215	7
<b>Noncurrent Assets</b>					2570 Deferred income tax liabilities (Note6(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					2645 Guarantee deposits received	9,856	-	12,127	-
income (Notes 6(8))	427,211	2	353,984	2	25XX <b>Total Noncurrent Liabilities</b>	570,691	2	1,160,940	9
1550 Investments accounted for using equity method (Note6(9))	7,632,600	27	6,992,993	50	2XXX <b>Total Liabilities</b>	19,444,725	68	6,434,637	45
1600 Property, plant and equipment, net (Note 6(10))	284,481	1	270,626	2	<b>Equity Attributable to Shareholders of the Parent</b>				
1755 Right-of-use assets (Note 6(11))	74,937	-	1,701	-	3100 Capital stock				
1760 Investment property, net (Note 6(12))	92,834	-	93,334	1	3110 Common stock (Note 6(20))	2,255,409	8	2,255,409	16
1780 Intangible assets (Note 6(13))	7,315	-	5,208	-	3200 Capital surplus (Note 6(21))	2,853,613	10	2,847,935	20
1840 Deferred income tax assets (Note 6(28))	84,761	-	66,358	-	3300 Retained earnings (Note 6(22))				
1980 Other financial assets - non current (Note 6(7)&7(2))	13,939	-	2,185	-	3310 Legal reserve	1,225,456	4	1,192,763	8
1995 Other noncurrent assets	1,584	-	1,078	-	3320 Special reserve	362,153	1	453,961	3
15XX <b>Total Noncurrent Assets</b>	8,624,282	30	7,787,467	55	3350 Unappropriated earnings	2,132,806	8	1,406,700	10
					3400 Others (Note 6(23))	(133,708)	1	(362,153)	(2)
					3XXX <b>Equity Attributable to Shareholders of the Parent</b>	8,695,729	32	7,794,615	55
1XXX <b>Total Assets</b>	\$ 28,140,454	100	\$ 14,229,252	100	3X2X <b>Total Liabilities and Equity</b>	\$ 28,140,454	100	\$ 14,229,252	100

(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 : NT\$1,000  
(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	

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

**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						Other Equity			Total Equity
	Common Stock	Capital Surplus	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			
			Legal Reserve	Special reserve	Unappropriated					
Balance, January 1, 2021	\$ 2,255,409	\$ 2,847,935	\$ 1,159,872	\$ 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		
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		

Items	Equity Attributable to Shareholders of the Parent						Other Equity			Total Equity
	Common Stock	Capital Surplus	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			
			Legal Reserve	Special reserve	Unappropriated					
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		
Appropriation of prior year's earnings:										
Legal reserve	-	-	32,693	-	(32,693)	-	-	-		
Special reserve	-	-	-	(91,808)	91,808	-	-	-		
Cash dividends	-	-	-	-	(318,311)	-	-	(318,311)		
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	-	-	-	-	7,397	154,075	73,227	234,699		
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		
Balance, December 31, 2022	\$ 2,255,409	\$ 2,853,613	\$ 1,225,456	\$ 362,153	\$ 2,132,866	\$ (231,024)	\$ 97,316	\$ 8,695,720		

(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 : NT\$1,000

	<u>For the Years Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<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

	For the Years Ended December 31,	
	2022	2021
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>Cash Flows from Investing Activities</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>Cash Flows from Financing Activities</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)

**L&K Engineering Co., Ltd.**  
**Notes to Parent Company Only Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**  
**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

**1. Organization and Operations**

L&K Engineering Co., Ltd. (“the Company”) was incorporated in 1978. The Company is a professional engineering company that provides fully integrated turnkey engineering services for clean room construction projects, process utility system, electrical and mechanical engineering and other associated engineering projects.

The Company’s shares were listed on the Taipei Exchange (TPEX) since 2001.

The Company’s shares were listed on the Taiwan Stock Exchange (TWSE) since August 2003.

**2. The authorization of financial statements**

The parent company only financial statements were approved and authorized for issuance by the board of directors and issued on March 10, 2023.

**3. Application of new and revised International Financial Reporting Standards (IFRS)**

(1) The Company applied International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The new guidelines and the nature and description of the amendments, the initial application has no significant impact on the Company.

(2) Standards issued by International Accounting Standards Board (IASB) which are endorsed by the FSC, but not yet adopted by the Company effective from 2023 are as follow:

<u>New Standards or Amendments</u>	<u>The Main Amendments</u>	<u>Effective Date</u>
(d) Disclosure of Accounting Policies – Amendments to IAS 1	These are the amendments to paragraphs 69-76 of IAS 1 “Presentation of Financial Statements” related to the classification of liabilities as current or non-current.	January 1, 2023
(e) Definition of Accounting Estimates – Amendments to IAS 8	The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.	January 1, 2023
(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Company has assessed that the above standards and interpretations have no material impact on the Company.

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

New Standards or Amendments	The Main Amendments	Effective Date
(F) Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” -	The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” (IFRS 10) and IAS 28 “Investments in Associates and Joint Ventures” (IAS 28), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 “Business Combinations” (IFRS 3) between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.	To be determined by IASB
(G) Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	The amendment adds sellers-lessees additional requirements for the sale and leaseback transactions in IFRS16, thereby supporting the consistent application of the standard.	January 1, 2024
(H) IFRS 17“Insurance Contracts”	IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation, and disclosure requirements). The core of IFRS 17 is the General (building block) Model. Under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following: (a) estimates of future cash flows. (b) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows. (c) a risk adjustment for non-financial risk.	January 1, 2023

<u>New Standards or Amendments</u>	<u>The Main Amendments</u>	<u>Effective Date</u>
	The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.	
(I) Classification of Liabilities as Current of Non-current – Amendment to IAS1	These are the amendments to paragraphs 69-76 of IAS 1 “Presentation of Financial Statements” related to the classification of liabilities as current or non-current.	January 1, 2023
(J) Non-current liabilities with covenants - Amendments to IAS 1	The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.	January 1, 2024

The Company has assessed that the above standards and interpretations have no material impact on the Company.

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

##### **(1) Statement of Compliance**

The Company’s parent company only financial statements was prepared in accordance with Regulations Governing the preparation of Financial Reports by Securities Issuers.

##### **(2) Basis of Preparation**

- (A) Except for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, the accompanying parent company only financial statements have been prepared under the historical cost convention.
- (B) When preparing the parent company only financial statements, the Company accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the investments accounted for using equity method, share of profits of subsidiaries, associates and joint venture, and share of other comprehensive income of subsidiaries, associates and joint venture are adjusted for the differences in the accounting treatment between the parent company only basis and the consolidated basis in the parent company only financial statements.



### **(3) Foreign Currency Translation**

#### **(A) Foreign currency transactions and balances**

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such translation differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Translation differences arising from non-monetary items are included in profit or loss for the year except for translation differences arising from non-monetary items on which gains and losses are recognized directly in other comprehensive income, in which case, the translation differences are recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

#### **(B) Translation of foreign operations**

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NTD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Translation differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

### **(4) Classification of Current and Noncurrent Assets and Liabilities**

As the operating cycle for construction contracts usually exceeds one year, the Company uses the operating cycle as its criteria for classifying current and non-current assets and liabilities related to construction contracts. For other assets and liabilities, the criterion is one year. The Company classifies an asset as current when any one of the following requirements is met. Asset that are not classified as current are non-current assets.

- (A) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (B) It holds the asset primarily for the purpose of trading;
- (C) It expects to realize the asset within twelve months after the reporting period;
- (D) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- (A) It expects to settle the liability in its normal operating cycle;
- (B) It holds the liability primarily for the purpose of trading;
- (C) The liability is due to be settled within twelve months after the reporting period; or

(D) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

**(5) Cash and Cash Equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(6) Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(A) Financial instruments:

The Company accounts for regular way purchase or sales of financial assets on the trade date. The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of:

- the Company's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

(a) Financial assets measured at amortized cost

The Company's investment financial assets are classified as financial assets measured at amortized cost if they meet the following two conditions:

(iii) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(iv) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured by amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost) are recognized initially at fair value plus or minus transaction costs, increased by interest income, and reduced by impairment loss subsequently. All foreign currency exchange gains and losses are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying value of the financial assets, except for the following two cases:

(iii) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(iv) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

(b) Equity instrument investments measured at fair value through other comprehensive income

The Company is able to make an irrevocable election to present subsequent change in fair value of an equity instrument that is not held for trading or contingent consideration recognized in a business combination in other comprehensive income.

The investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value are presented in other comprehensive income and accumulated in other equity. Upon disposal, the accumulated gains and losses are transferred directly to retained earnings and are not reclassified as profit or loss.

The dividends of the equity instruments that are measured at fair value through other comprehensive gains and losses are recognized in profit or loss when the Company's right to collect payments is established, unless the dividend clearly represents a portion of the investment cost.

(c) Financial asset measured at fair value through profit or loss

Financial assets that are neither (a) or (b) are measured at fair value through profit or loss.

(B) Impairment of financial assets

The impairment loss on financial assets (including accounts receivable) measured at amortized cost is based on expected credit losses at each balance sheet date. Loss allowance of accounts receivable is measured at an amount equal to lifetime expected credit losses. Other financial assets are firstly assessed whether the credit risk has increased significantly since initial recognition. If there is no significant increase, the allowance loss is measured at an amount equal to 12-month expected credit loss. If it has increased significantly, it is measured at an amount equal to the lifetime expected credit loss.

The expected credit loss is the average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from the possible default on the financial instrument within the 12 months after the reporting date. The lifetime expected credit loss represents the expected credit loss arising from all possible defaults over the expected life of a financial instrument. The impairment loss on all financial assets is reduced through the allowance account.

(C) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of the parts on the date of the transfer. The difference between the

carrying amount allocated to the part derecognized and the consideration received for the part derecognized shall be recognized in profit or loss.

(D) Financial Liabilities and Equity Instruments

(a) Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

(c) Financial liabilities

Financial liabilities in the scope of IAS 39 are initially recognized at fair value through profit or loss or at amortized cost.

(d) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(e) Convertible bonds

Bonds payable embedded with conversion rights, puttable rights, callable rights, shall be initially recognized as a financial liability, a financial asset or an equity instrument (capital reserve from stock warrants).

These bonds are accounted for as follows:

- (i) The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as "interest expense".
- (ii) The value of any derivative features (such as a call option and put option) embedded in the compound financial instrument is recognized as "financial assets or financial liabilities at fair value through profit or loss". These derivative features are subsequently remeasured and stated at fair value on each balance sheet date, and the gain or loss is recognized in "gain or loss on valuation of financial assets or financial liabilities". At the maturity of redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the put option is recognized as "paid-in capital"; however, if the fair value of common stock is lower than the redemption price, the fair value of the put option is recognized as "gain or loss".
- (iii) A conversion option embedded in the bonds issued by the Company, which is convertible to an equity instrument, is recognized and included in "capital reserve from stock warrants", net of income tax effects. When a bondholder exercises his/her conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) shall be

revalued, and the resulting difference shall be recognized as “gain or loss” in the current period. The book value of the common stock issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of the stock warrants.

- (iv) Costs incurred on issuance of convertible bonds are proportionately charged to the liabilities and equities of the underlying instruments based on initial recognition amount.

In the event that the bondholders may exercise put options within the following year, the underlying bonds payable shall be reclassified to current liabilities. The bonds payable whose put options were not exercised during the exercisable period shall be reclassified to noncurrent liabilities.

(f) **Derecognition of financial liabilities**

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(E) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(F) **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

**(7) Inventories**

Inventories are stated at the lower of cost or net realizable value using item-by-item approach. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Cost is determined using the weighted-average method.

**(8) Investments Accounted for Using Equity Method**

(A) **Investment in subsidiaries**

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share of the changes

in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (i) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (ii) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

#### (B) Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these parent company only financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the balance sheet at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognized its share in the changes in the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with associate, profits and losses resulting from the transactions with the associate are recognized in the Company's parent company only financial statements only to the extent

of interests in the associate that are not owned by the Company.

## **(9) Lease**

### **The Company as a lessor**

The Company recognizes lease payments from operating leases as rental income on a straight-line basis over the term of the lease.

### **The Company as lessee**

Except short-term leases and leases for which the underlying asset is of low value are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the parent company only balance sheets. Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers ownership of the underlying assets to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are measured at the present value of the lease payments. Lease payments comprise fixed payments, variable lease payments which depend on an index or a rate and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted using the lessee's incremental borrowing rates.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the assessment of an option to purchase an underlying asset, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. Lease liabilities are presented as a separate line in the parent company only balance sheets. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## **(10) Property, Plant and Equipment**

### **(A) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated with a separate depreciation rate or depreciation method.

Property, plant and equipment are derecognized when disposed of or expected to have no future

economic benefits generated through usage. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as profit and loss.

**(B) Reclassification to investment property**

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

**(C) Subsequent cost**

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

**(D) Depreciation**

The depreciable amount of an asset is determined after deducting its residual amount, and the net amount shall be allocated with the straight-line method over its useful life. Each significant item of property, plant and equipment shall be evaluated and depreciated separately if it possesses a different useful life. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

(a)	Building	3 ~ 50 years
(b)	Machinery and equipment	3 ~ 15 years
(c)	Computer and telecommunication equipment	3 ~ 8 years
(d)	Transportation equipment	3 ~ 5 years
(e)	Office equipment	3~8 years
(f)	Leasehold improvements	5 years
(g)	Other equipment	3~10 years

**(11) Investment Properties**

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting. The property estimated useful life of investment property is 50 years.

**(12) Intangible Assets**

(A) Intangible assets are mainly computer software, which is amortized on a straight-line basis for 3 years.



- (B) Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**(13) Impairment of Non-financial Assets**

The Company assesses at each balance sheet date to determine whether there is any indication of impairment on non-financial assets other than inventory, deferred tax asset, assets arising from employee benefits, non-current assets classified as held for sale, and biological assets, and estimates the recoverable amounts of those assets where there is an indication that they are impaired. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If there has been a change in the estimates used to determine the recoverable amount, impairment loss is reversed to increase the carrying amount of the asset or cash-generating unit to its recoverable amount, except the increased carrying amount shall not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized in prior years.

The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated annually. An impairment loss is recognized at the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. For the purpose of impairment testing, goodwill acquired in a business combination shall be allocated to each of cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit, the impairment loss shall reduce the carrying amount of any goodwill allocated to the cash-generating unit first, and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Impairment loss on goodwill previously recognized in profit or loss shall not be reversed in the following years.

**(14) Borrowings**

- (A) Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- (B) Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is

deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

**(15) Accounts Payable**

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(16) Provision**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(17) Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

**(18) Revenue Recognition**

The Company identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

**(A) Engineering Service Income**

In the real estate construction contract during the construction process, the Company gradually recognizes revenue over time. As the cost of construction is directly related to the completion of the performance obligation, the Company measures the completion rate based on the actual input cost to the expected total cost. The Company gradually recognizes contract assets during the construction process and reclassifies them as accounts receivable when the bill is opened. If the amount of work received exceeds the amount of recognized income, the difference is recognized as a contract liability. The project retentions detained by the customers in accordance with the terms of the contract are intended to ensure that the Company fulfills all contractual obligations and is recognized as contractual assets before the completion of the performance of the Company.

If the outcome of a performance obligation cannot be reliably measured, revenue shall be recognized to the extent of recoverable incurred cost in satisfying the performance obligation.

(B) Merchandise Income

The Company sells merchandise and recognizes revenue when the promised merchandise is delivered to the client and the customer obtains control (ie, the customer's ability to lead the use of the merchandise and obtain almost all of the remaining benefits of the merchandise).

**(19) Employee Benefits**

(A) Short-term employee benefits:

Short-term employee benefits-related liabilities are measured at non-discounted amounts that are expected to be paid in exchange for employee services.

(B) Post-employment benefits:

For defined contribution plans, the contributions are recognized as pension expense when they are due in that period when the employees render service. For defined benefit plans, the pension expense, including service cost, net interest and remeasurement, is recognized according to actuarial calculation using the projected unit credit method. Service cost (including past service cost) and net interest on net defined benefit liability (asset) are recognized in profit or loss immediately. Remeasurement, including actuarial gain or loss and return on plan asset net of interest expense, is recognized in other comprehensive income as incurred, recorded in retained earnings, and not recycled to profit or loss in the future.

**(20) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the funds, from particular borrowings, temporarily invested pending their expenditure on the qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**(21) Income Tax**

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

(B) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 5% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- (D) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- (E) Deferred tax assets and deferred tax liabilities shall be offset if and only if the company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled on recovered.
- (F) The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

## **5. Critical Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty**

The preparation of these financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

### **(1) Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### **(C) Investment property:**

Certain properties of the Company comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company accounts for the portions separately as investment properties and property, plant and equipment.

#### **(D) Operating lease commitments – Company as the lessor:**

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, retaining all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

### **(2) Estimates and Assumptions**

The key assumptions concerning the future and other key sources of assumption uncertainty with have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) Construction contract revenue:

The Company recognizes the contract revenue and profit by the managements' estimate of the profit of the contract and the completion level. Management reviews and modifies the contractual profits and costs during the contract period, and the actual contract result may be higher or lower than the estimates, which will affect the recognized revenue and profit.

(B) Receivable impairment assessment

The estimated impairment of trade receivables, contracts is based on the Company's assumptions about default rates and expected loss rates. The Company considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessments. If the actual cash flow in the future is less than expected, significant impairment losses may occur.

(C) Pension benefits:

The cost of defined benefit pension plans and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate, future salary increase, mortality rates and future pension increases. Please refer to Note 6 (19) for detailed explanation of assumptions used in measuring pension cost and defined benefit obligation.

## **6. Major Accounts Explanation**

**(1) Cash and Cash Equivalents**

Items	Dec. 31, 2022	Dec. 31, 2021
Cash on hand	\$ 1,558	\$ 1,360
Savings accounts	620,134	683,196
Time deposits	4,881,942	453,106
Cash equivalents - commercial paper	253,872	113,743
Total	<u>\$ 5,757,506</u>	<u>\$ 1,251,405</u>

**(2) Financial Asset at Fair Value through Profit or Loss – Current**

Items	Dec. 31, 2022	Dec. 31, 2021
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 192,358	\$ 302,292
Foreign bank debentures	4,620	-
Total	<u>\$ 196,978</u>	<u>\$ 302,292</u>

Items	Dec. 31, 2022	Dec. 31, 2021
Financial assets at fair value through profit or loss - current	<u>\$ 192,358</u>	<u>\$ 302,292</u>
Financial assets at fair value through profit or loss – non current	<u>\$ 4,620</u>	<u>\$ -</u>

Items	For the Years Ended December 31	
	2022	2021
Revaluation profit or (loss) of financial assets mandatorily measured at fair value through profit or loss	\$ (109,934)	\$ 82,270

(3) **Accounts and Notes Receivable, net**

(C) Details are as follows:

Items	Dec. 31, 2022	Dec. 31, 2021
Notes receivable	\$ 2,520	\$ 2,415
Accounts receivable	1,335,055	1,437,849
Accounts receivable - related parties	246,688	107,522
Total	1,584,263	1,547,786
Less: Loss allowance	(3,022)	(3,275)
Net	\$ 1,581,241	\$ 1,544,511

The above receivables were not provided for any collateral.

(D) The allowance for the accounts and notes receivable calculated according to the provision matrix are as follows:

December 31, 2022								
	Not past due	0~ 60 day	61~ 90 day	91~ 180 day	181~ 365 day	366~ 730 day	Past due over 731 day	Total
Expected credit loss rate	0.1%	-	-	-	-	-	100%	-
Total amount	\$ 1,582,847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,416	\$ 1,584,263
Loss allowance	(1,606)	-	-	-	-	-	(1,416)	(3,022)
Amortized cost	\$ 1,581,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,581,241
December 31, 2021								
	Not past due	0~ 60 day	61~ 90 day	91~ 180 day	181~ 365 day	366~ 730 day	Past due over 731 day	Total
Expected credit loss rate	0.1%	-	4%~10%	-	-	-	100%	-
Total amount	\$ 1,542,440	\$ -	\$ 3,930	\$ -	\$ -	\$ -	\$ 1,416	\$ 1,547,786
Loss allowance	(1,564)	-	(295)	-	-	-	(1,416)	(3,275)
Amortized cost	\$ 1,540,876	\$ -	\$ 3,635	\$ -	\$ -	\$ -	\$ -	\$ 1,544,511

The Company applies the simplified approach to providing expected credit losses prescribed under IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The lifetime expected losses are estimated using an allowance matrix with reference to debtors' default records in the past and current financial position, economic conditions of the industry as well as the forecasted GDP and outlook of the industry. As the Company's historic experience of credit loss shows no significantly different loss

patterns for different customer segments, the allowance matrix does not differentiate by customer group. The expected credit loss rates are estimated based on the number of days that a trade receivable is past due.

(E) Aging analysis of accounts and notes receivable that is individually determined to be impaired:

Items	Dec. 31, 2022	Dec. 31, 2021
Neither past due nor impaired	\$ 1,581,241	\$ 1,540,876
Past due but not impaired		
Past due 0~60 days	-	-
Past due 61~90 days	-	3,635
Past due 91~180 days	-	-
Past due 181~365 days	-	-
Past due over 365 days	-	-
Total	<u>\$ 1,581,241</u>	<u>\$ 1,544,511</u>

(4) Other Receivables, net

Items	Dec. 31, 2022	Dec. 31, 2021
Other receivables	\$ 13,488	\$ 75,002
Less: Loss allowance	(10,792)	(11,618)
Net	<u>\$ 2,696</u>	<u>\$ 63,384</u>

Movement in the provision for impairment of other receivables:

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 11,618	\$ 6,489
The amount charged or reversed for the period	(826)	5,129
The amount written-off for the period	-	-
Ending balance	<u>\$ 10,792</u>	<u>\$ 11,618</u>

(5) Inventories, net

Items	Dec. 31, 2022	Dec. 31, 2021
Merchandise inventories	\$ 19,653	\$ 21,786
Less: allowance to reduce inventory to market value	(9,113)	(9,113)
Net	<u>\$ 10,540</u>	<u>\$ 12,673</u>

The market price decline and obsolete loss for inventories amounted to \$0 for the years ended December 31, 2022 and 2021, respectively.

**(6) Prepayments**

Items	Dec. 31, 2022	Dec. 31, 2021
Prepaid expenses	\$ 3,166	\$ 1,260
Advance payments	8,827,518	264,946
Other prepayments	13,412	132
Total	<u>\$ 8,844,096</u>	<u>\$ 266,338</u>

**(7) Other Financial Assets**

Items	Dec. 31, 2022	Dec. 31, 2021
Time deposits with maturity of more than three months	\$ 247,183	\$ 293,023
Restricted assets	105,313	235,991
Guarantee deposits paid	279,029	234,487
Total	<u>\$ 631,525</u>	<u>\$ 763,501</u>

Items	Dec. 31, 2022	Dec. 31, 2021
Other financial assets - current	<u>\$ 617,586</u>	<u>\$ 761,316</u>
Other financial assets - noncurrent	<u>\$ 13,939</u>	<u>\$ 2,185</u>

For the collateral information of other financial assets, please refer to Note 8.

**(8) Financial Asset at Fair Value Through Other Comprehensive Income- Noncurrent**

Items	Dec. 31, 2022	Dec. 31, 2021
Equity instrument investments		
Listed companies stocks	\$ 218,942	\$ 127,982
Unlisted companies stocks	208,269	226,002
Total	<u>\$ 427,211</u>	<u>\$ 353,984</u>

(C) The Company's investments in equity instruments are classified as medium and long-term strategic investments and are designated at fair value through other comprehensive income.

(D) The fair value fluctuation through other comprehensive income - financial assets (FVTOCI) was summarized as follows:

Items	For the Years Ended December 31,	
	2022	2021
Equity instrument at Fair Value Through Other Comprehensive Income		
The gain or loss in recognized in other comprehensive income	<u>\$ 73,227</u>	<u>\$ 111,270</u>
The reclassification of accumulated gain or loss into retained earnings upon derecognition	<u>\$ -</u>	<u>\$ -</u>



**(9) Investment Accounted for Using Equity Method**

Items	Dec. 31, 2022	Dec. 31, 2021
Subsidiaries	\$ 7,632,600	\$ 6,992,993
Associates	-	-
Total	\$ 7,632,600	\$ 6,992,993

(A) Subsidiaries:

Investee companies	December 31, 2022		
	Cost	Ownership percentage	Carrying amount
RSEA Engineering Corporation (privatized 2009)	\$ 2,525,589	83.65%	\$ 3,036,896
L&K Engineering Co., Ltd. (BVI)	1,615	100.00%	651,615
L&K Engineering (SUZHOU) Co., Ltd.	508,104	53.99%	2,861,814
Unique Grand Limited	1,821,916	51.71%	1,082,275
Total	\$ 4,857,224		\$ 7,632,600

Investee companies	December 31, 2021		
	Cost	Ownership percentage	Carrying amount
RSEA Engineering Corporation (privatized 2009)	\$ 2,525,589	83.65%	\$ 3,022,879
L&K Engineering Co., Ltd. (BVI)	1,615	100.00%	587,159
L&K Engineering (SUZHOU) Co., Ltd.	508,104	53.99%	2,492,138
Unique Grand Limited	1,597,983	52.14%	890,817
Total	\$ 4,633,291		\$ 6,992,993

(a) Share of the profit or loss of the Company's subsidiaries were recognized using the equity method are as follows:

Investee companies	For the Years Ended December 31,	
	2022	2021
RSEA Engineering Corporation (privatized 2009)	\$ 40,715	\$ 31,007
L&K Engineering Co., Ltd. (BVI)	83	(3,862)
L&K Engineering (SUZHOU) Co., Ltd.	365,944	25,739
Unique Grand Limited	(40,567)	(31,007)
Total	\$ 366,175	\$ 21,877

Share of the profit of RSEA Engineering Corporation (privatized 2009) recognized for the years ended December 31, 2022 and 2021,

are based on the investee's financial statements audited by other auditors for the relevant periods.

- (b) The company invested in the stock of L&K Engineering (SUZHOU) Co., Ltd. with the permission issued by Investment Commission, MOEA in July, 2003. 51% of stock amounting to 56,680 thousand (USD1,632 thousand) were acquired on August 5, 2003 and the difference between the acquisition price and carrying amounts was \$4,124 thousand which was amortized on a straight-line basis for 5 years. The amortization ceased on January 1, 2006. The remaining difference were \$2,041 thousand and unimpaired on December 31, 2022 and 2021.

(B) Associates:

Investee company	December 31, 2022		
	Cost	Ownership percentage	Carrying amount
Formosa Medical Devices Inc.	\$ 49,036	40.88%	\$ 8,776
Accumulated impairment	-		(8,776)
Net	<u>\$ 49,036</u>		<u>\$ -</u>

Investee companies	December 31, 2021		
	Cost	Ownership percentage	Carrying amount
Formosa Medical Devices Inc.	\$ 49,036	40.88%	8,776
Accumulated impairment	-		(8,776)
Net	<u>\$ 49,036</u>		<u>\$ -</u>

- (a) No associate company is material to the Company. The share of profit or loss of associates and joint ventures accounted for under equity method is based on reports unaudited certified from associate companies, of which the management of the Company expected no material impact. The Company did not recognize the share of profit or loss from Formosa Medical Devices Inc, of which the carrying amount were \$0 on December 31, 2022 and 2021. The Company's share of profit from associate company were summarized as follows:

Items	For the Years Ended December 31,	
	2022	2021
Income (loss) from continuing operation	\$ -	\$ 2,023
Other comprehensive income(after tax)	-	-
Total comprehensive income	<u>\$ -</u>	<u>\$ 2,023</u>

- (b) Cash-refund capital reduction of the associate company Topone International Engineering Consultants Inc. was approved in the shareholders' meeting. The Company has received the returned amount of \$4,900 thousand on April 29, 2021 and recognized the gain on disposal of investment accounted for using the equity method \$2,322 thousand.

**(10) Property, Plant and Equipment**

Changes in property, plant and equipment of the Company for the years ended December 31, 2022 and 2021 were as follows:

For the Year Ended December 31, 2022:

Cost	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of exchange rate changes	Ending balance
Land	\$ 75,993	\$ -	\$ -	\$ -	\$ -	\$ 75,993
Buildings	258,848	-	-	-	18,752	277,600
Machinery and equipment	31,068	-	-	(67)	-	31,001
Computer equipment	35,744	7,288	-	(1,500)	424	41,956
Transportation equipment	6,792	-	-	(570)	313	6,535
Office equipment	11,823	259	-	(267)	290	12,105
Leasehold improvements	7,031	-	-	-	-	7,031
Other equipment	13,729	-	-	-	480	14,209
Total	<u>\$ 441,028</u>	<u>\$ 7,547</u>	<u>\$ -</u>	<u>\$ (2,404)</u>	<u>\$ 20,259</u>	<u>\$ 466,430</u>

Accumulated depreciation	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of exchange rate changes	Ending balance
Buildings	\$ (78,179)	\$ (6,355)	\$ -	\$ -	\$ (1,126)	\$ (85,660)
Machinery and equipment	(30,469)	(236)	-	67	-	(30,638)
Computer equipment	(26,625)	(4,033)	-	1,500	(342)	(29,500)
Transportation equipment	(5,707)	(245)	-	570	(314)	(5,696)
Office equipment	(10,107)	(310)	-	247	(196)	(10,366)
Leasehold improvements	(6,809)	(105)	-	-	-	(6,914)
Other equipment	(12,506)	(280)	-	-	(389)	(13,175)
Total	<u>\$ (170,402)</u>	<u>\$ (11,564)</u>	<u>\$ -</u>	<u>\$ 2,384</u>	<u>\$ (2,367)</u>	<u>\$ (181,949)</u>

For the Year Ended December 31, 2021:

Cost	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of exchange rate changes	Ending balance
Land	\$ 75,993	\$ -	\$ -	\$ -	\$ -	\$ 75,993
Buildings	264,842	150	-	-	(6,144)	258,848
Machinery and equipment	30,900	215	-	(47)	-	31,068
Computer equipment	31,901	6,242	-	(2,288)	(111)	35,744
Transportation equipment	5,996	941	-	(42)	(103)	6,792
Office equipment	11,933	124	-	(143)	(91)	11,823
Leasehold improvements	7,031	-	-	-	-	7,031
Other equipment	13,547	358	-	(19)	(157)	13,729
Total	<u>\$ 442,143</u>	<u>\$ 8,030</u>	<u>\$ -</u>	<u>\$ (2,539)</u>	<u>\$ (6,606)</u>	<u>\$ 441,028</u>

Accumulated depreciation	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of exchange rate changes	Ending balance
Buildings	\$ (72,176)	\$ (6,229)	\$ -	\$ -	\$ 226	\$ (78,179)
Machinery and equipment	(30,280)	(236)	-	47	-	(30,469)
Computer equipment	(26,338)	(2,655)	-	2,256	112	(26,625)
Transportation equipment	(5,542)	(310)	-	42	103	(5,707)
Office equipment	(9,881)	(409)	-	126	57	(10,107)
Leasehold improvements	(6,704)	(105)	-	-	-	(6,809)
Other equipment	(12,167)	(473)	-	19	115	(12,506)
Total	<u>\$ (163,088)</u>	<u>\$ (10,417)</u>	<u>\$ -</u>	<u>\$ 2,490</u>	<u>\$ 613</u>	<u>\$ (170,402)</u>

Carrying amount	Dec. 31, 2022	Dec. 31, 2021
Land	\$ 75,993	\$ 75,993
Buildings	191,940	180,669
Machinery and equipment	363	599
Computer equipment	12,456	9,120
Transportation equipment	839	1,085
Office equipment	1,739	1,715
Leasehold improvements	117	222
Other equipment	1,034	1,223
Total	<u>\$ 284,481</u>	<u>\$ 270,626</u>

(A) For the collateral information of the property, plant and equipment, please refer to Note 8.

(B) The significant part of the Company's buildings included main buildings, renovation (reconstruction) projects and electrical power equipment, and the related depreciation was calculated using the estimated useful lives of 50 years, 10 years and 10 to 35 years, respectively.

**(11) Right-of-use Assets**

Changes in the cost and depreciation of right-of-use assets of the Company for the years ended December 31, 2022 and 2021 were as follows:

For the Year Ended December 31, 2022:

Cost	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change in exchange rate	Ending balance
Buildings	\$ 7,681	\$ 83,622	\$ -	\$ (7,681)	\$ -	\$ 83,622
Transportation equipment	315	-	-	(315)	-	-
Total	<u>\$ 7,996</u>	<u>\$ 83,622</u>	<u>\$ -</u>	<u>\$ (7,996)</u>	<u>\$ -</u>	<u>\$ 83,622</u>
				Disposal /	Effect of change	
Accumulated depreciation	Beginning balance	Additions	Reclassification	Transfer	in exchange rate	Ending balance
Buildings	\$ (6,045)	\$ (9,763)	\$ -	\$ 7,512	\$ (389)	\$ (8,685)
Transportation equipment	(250)	-	-	250	-	-
Total	<u>\$ (6,295)</u>	<u>\$ (9,763)</u>	<u>\$ -</u>	<u>\$ 7,762</u>	<u>\$ (389)</u>	<u>\$ (8,685)</u>

For the Year Ended December 31, 2021:

Cost	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change in exchange rate	Ending balance
Buildings	\$ 11,532	\$ 1,421	\$ -	\$ (5,272)	\$ -	\$ 7,681
Transportation equipment	5,736	-	-	(5,421)	-	315
Total	<u>\$ 17,268</u>	<u>\$ 1,421</u>	<u>\$ -</u>	<u>\$ (10,693)</u>	<u>\$ -</u>	<u>\$ 7,996</u>
				Disposal /	Effect of change	
Accumulated depreciation	Beginning balance	Additions	Reclassification	Transfer	in exchange rate	Ending balance
Buildings	\$ (6,692)	\$ (3,222)	\$ -	\$ 3,869	\$ -	\$ (6,045)
Transportation equipment	(5,513)	(158)	-	5,421	-	(250)
Total	<u>\$ (12,205)</u>	<u>\$ (3,380)</u>	<u>\$ -</u>	<u>\$ 9,290</u>	<u>\$ -</u>	<u>\$ (6,295)</u>

Carrying amount	Dec. 31, 2022	Dec. 31, 2021
Buildings	\$ 74,937	\$ 1,636
Transportation equipment	-	65
Total	\$ 74,937	\$ 1,701

The above right-of-use assets were not pledged as any collateral.

**(12) Investment Property**

Changes in the investment property for the years ended December 31, 2022 and 2021 were as follows:

For the Year Ended December 31, 2022:

Items	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change in exchange rate	Ending balance
Land	\$ 68,001	\$ -	\$ -	\$ -	\$ -	\$ 68,001
Building	39,780	284	-	-	-	40,064
Accumulated depreciation	(14,447)	(784)	-	-	-	(15,231)
Net value	<u>\$ 93,334</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,834</u>

For the Year Ended December 31, 2021:

Items	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change in exchange rate	Ending balance
Land	\$ 68,001	\$ -	\$ -	\$ -	\$ -	\$ 68,001
Building	39,780	-	-	-	-	39,780
Accumulated depreciation	(13,667)	(780)	-	-	-	(14,447)
Net value	<u>\$ 94,114</u>	<u>\$ (780)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,334</u>



(A) Rental revenue of investment property

For the Years Ended December 31,	
2022	2021
\$ 3,029	\$ 726

(B) The above invest properties were not pledged as any collateral.

(C) The fair value of investment properties was \$215,612 thousand both on December 31, 2022 and 2021. The valuation was based on independent experts' reports, which adopted the market value method.

**(13) Intangible Assets**

For the year ended December 31, 2022:

Items	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change in exchange rate	Ending balance
Computer software	\$ 32,619	\$ 7,796	\$ -	\$ -	\$ 107	\$ 40,522
Accumulated amortization	(27,411)	(5,784)	-	-	(12)	(33,207)
Net value	<u>\$ 5,208</u>	<u>\$ 2,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ 7,315</u>

For the year ended December 31, 2021:

Items	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change in exchange rate	Ending balance
Computer software	\$ 28,494	\$ 4,125	\$ -	\$ -	\$ -	\$ 32,619
Accumulated amortization	(24,483)	(2,928)	-	-	-	(27,411)
Net value	<u>\$ 4,011</u>	<u>\$ 1,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,208</u>

**(14) Short-Term Borrowings**

Items	Dec. 31, 2022	Dec. 31, 2021
Unsecured bank loan	\$ 600,000	\$ 120,000
Interest rate	1.35%~1.76%	1.00%~1.10%

For the Company's unused credit for loan, please refer to Note 9(4).

**(15) Short-Term Notes and Bills payable**

Items	Dec. 31, 2022	Dec. 31, 2021
Short-term notes payable	\$ 200,000	\$ 600,000
Less: Discounts on notes payable	(453)	(400)
Net	\$ 199,547	\$ 599,600
Interest rate	1.55%~1.73%	0.30%~0.90%

**(16) Provisions**

Items	For the Years Ended December 31,	
	2022	2021
Balance, January 1	\$ 174,722	\$ 151,319
Increase in the period	53,748	24,689
Use in the period	(561)	(1,286)
Balance, December 31	\$ 227,909	\$ 174,722

Items	Dec. 31, 2022	Dec. 31, 2021
Current	\$ 227,909	\$ 174,722
Noncurrent	-	-
Total	\$ 227,909	\$ 174,722

These liability reserves are warranty and repair works estimated by historical experience, management's judgment and other known causes.

**(17) Lease Liability**

Items	Dec. 31, 2022		
	Future minimum lease payments	Interest	Present value of future minimum lease payments
Current	\$ 42,884	\$ 936	\$ 41,948
Noncurrent	33,469	349	33,120
Total	\$ 76,353	\$ 1,285	\$ 75,068

Items	Dec. 31, 2021		
	Future minimum lease payments	Interest	Present value of future minimum lease payments
Current	\$ 1,736	\$ 35	\$ 1,701
Noncurrent	-	-	-
Total	\$ 1,736	\$ 35	\$ 1,701

(a) The information of lease agreements of the Company were as follows:

Items in statement of comprehensive income	For the Years Ended December 31,	
	2022	2021
Interest expense on lease liabilities	\$ 308	\$ 70
Expense related to short-term leases	\$ 20,179	\$ 15,095
Expense related to low-value assets	\$ -	\$ -

(b) For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases was \$30,124 thousand and \$18,549 thousand, respectively.

(c) Some office equipment, transportation equipment, and staff dormitory were short-term leases or the leases of low-value assets. The Company applied an exemption not to recognize its lease assets and lease liability.

**(18) Long-Term Borrowings**

Items	Dec. 31, 2022	Dec. 31, 2021
Secured bank loan	\$ 34,265	\$ 37,964
Unsecured bank loan	400,000	1,100,000
Less: current portion due in one year or one operating cycle	(203,764)	(203,749)
Net	\$ 230,501	\$ 934,215
Interest rate	1.85%~2.49%	1.15%~1.797%

(F) For the collateral of the above long-term loans, please refer to Note 8.

(G) For the Company's unused loan balance, please refer to Note 9(4).

**(19) Retirement Benefit Plans**

(A) Defined contribution plans:

The pension plan under the Labor Pension Act of R.O.C (the "LPA") is considered as a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in the statement of comprehensive income of \$18,746 thousand and \$16,737 thousand for the years ended December 31, 2022 and 2021 represents contributions made to the plan by the Company.

(B) Defined benefit plans:

(a) The Company's pension plan according to Labor Standard Law is a defined benefit plan. The pension payment is calculated based on the base units of service years and the average salary of the last 6 months before retirement. Two base units are accrued for each service year for the first 15 years and one base unit for each additional year thereafter, subject to a maximum of 45 units. The Company distributed 3% of salary to a pension fund in a designated account under the name of the independent retirement fund committee in Bank of Taiwan.

The total expense recognized in the statement of comprehensive income of \$703 thousand and \$682 thousand for the years ended December 31, 2022 and 2021 represents contributions made to these plans by the Company.

(b) Pension cost of the defined benefit plan recognized in the statement of comprehensive income is as follows:

Items	For the Years Ended December 31,	
	2022	2021
Current service cost	\$ 428	\$ 514
Net interest expense	275	168
Components of defined benefit costs recognized in profit or loss	703	682
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(5,123)	(981)
Actuarial gains and losses arising from experience adjustments	1,862	(2,403)
Actuarial gains and losses arising from changes in financial assumptions	(5,882)	(3,872)
Actuarial gains and losses arising from change in demographics assumption	9	347
Components of defined benefit costs recognized in other comprehensive income	(9,134)	(6,909)
Total	\$ (8,431)	\$ (6,227)

(c) Adjustment of fair value of defined benefit obligation and plan assets were as follows:

Items	Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligation	\$ 94,298	\$ 103,727
Fair value of plan assets	(64,786)	(63,156)
Net defined benefit liability	\$ 29,512	\$ 40,571

(d) Changes in the present value of defined benefit obligation were as follows:

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 103,727	\$ 118,028
Current service cost	428	514
Interest expense	704	400
Benefit paid from plan assets	(6,550)	(9,287)
Actuarial gains and losses arising from experience adjustments	1,862	(2,403)
Actuarial gains and losses arising from change in demographics assumption	9	347
Actuarial gains and losses arising from changes in financial assumptions	(5,882)	(3,872)
Ending balance	<u>\$ 94,298</u>	<u>\$ 103,727</u>

(e) Changes in the fair value of plan assets were as follows:

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 63,156	\$ 68,638
Expected return of plan assets	429	233
Contributions from employer	2,628	2,591
Benefit paid from plan assets	(6,550)	(9,287)
Return on plan assets	5,123	981
Ending balance	<u>\$ 64,786</u>	<u>\$ 63,156</u>

(f) Defined benefit obligations payable in future years are as follows:

Year	Amount
2023	\$ 2,056
2024	3,684
2025	4,948
2026	12,246
2027	3,868
Over 2028	79,561

The Company expects to make a contribution of \$2,647 thousand to the defined benefit pension plan within one year from December 31, 2022.

The weighted average duration of the defined benefit plan was 9 years on December 31, 2022.

(g) The percentage for each major category of plan assets were as follows:

Items	Pension plan	
	Dec. 31, 2022	Dec. 31, 2021
Cash	100%	100%
Equity instruments	-	-
Debt instruments	-	-
Others	-	-

The actual reward of the plan assets in 2022 and 2021 were \$5,552 thousand and \$1,214 thousand.

(h) According to relevant rules subject to custody and use of labor pension fund, profit of the fund will distribute based on performance every year. And it shall not be lower than interest rate of two-year deposit of the local bank. The government finance will make up the balance if a deficit occurs. Employer cannot decide the investment target of fund. According to the report issued by Labor Pension Fund Supervisory Committee, the pension reserve fund was allocated on December 31, 2022 and 2021 as follows:

Items	Dec. 31, 2022	Dec. 31, 2021
Deposit in financial institutions	16.34%	18.88%
Loan to government and government-owned enterprises	-	-
Investment of stock and beneficiary certificate	12.89%	9.02%
Short-term bills	4.11%	4.99%
Government bonds, financial bonds, and corporate bond	6.49%	6.24%
Overseas investment	50.16%	50.69%
Others	10.01%	10.18%

(i) The principal assumptions used for the Company's defined benefit plans:

Items	Dec. 31, 2022	Dec. 31, 2021
Discount rate	1.30%	0.70%
Expected rates of salary increase	3.00%	3.00%

(j) 0.25% change in the assumed discount rate would have the following effects:

	For the Year Ended December 31, 2022	
	Increase	Decrease
Effect on the defined benefit obligation	\$ (2,303)	\$ 2,388
	For the Year Ended December 31, 2021	
	Increase	Decrease
Effect on the defined benefit obligation	\$ (2,674)	\$ 2,780

(k) 0.25% change in the assumed expected rates of salary increase would have the following effects:

For the Year Ended December 31, 2022		
	Increase	Decrease
Effect on the defined benefit obligation	\$ 2,363	\$ (2,292)

For the Year Ended December 31, 2021		
	Increase	Decrease
Effect on the defined benefit obligation	\$ 2,721	\$ (2,633)

The sensitivity analysis described above is based on a one actuarial assumption (e.g. discount rate or expected rates of salary increase) which changed in a reasonable and probable range while the other assumptions remained unchanged. Since some of the actuarial assumptions are related to each other, in practice it is rare that only one assumption changes. Thus the analysis has its limitations.

The methods and assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## (20) Capital - Common Stock

Items	Dec. 31, 2022	Dec. 31, 2021
Authorized shares (thousands)	350,000	350,000
Authorized capital	\$ 3,500,000	\$ 3,500,000
Issued and fully paid-up shares (thousands)	225,541	225,541

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

## (21) Capital Surplus

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus from treasury stock transactions) may be appropriated as stock dividends. Unless the legal reserve has been used to offset the retained loss and there remains a deficit, capital surplus is not allowed to be used to offset. In addition, the capital surplus from long-term investments may not be used for any purpose.

Items	Dec. 31, 2022	Dec. 31, 2021
Additional paid-in capital - common stock	\$ 1,406,429	\$ 1,406,429
Additional paid-in capital - bond conversion	1,379,805	1,379,805
Additional paid-in capital in excess of par - treasury stock	16,924	16,924
Net assets from merger	10,645	10,645
Expired stock option	34,132	34,132
Changes in share of ownership of subsidiaries	5,678	-
Total	<u>\$ 2,853,613</u>	<u>\$ 2,847,935</u>

**(22) Legal Reserve and Accumulated Earnings**

- (A) Pursuant to the Company's Articles of Incorporation, current year's earnings, if any, shall be appropriated in the following order:
- Payments of all taxes, if any
  - To offset deficit in prior years, if any
  - To set aside 10% of the remaining amount as legal reserve after deducting items (a) and (b)
  - To set aside special reserve, if required
  - The remaining amount (the "appropriable earnings"), if any, combined with prior year's unappropriated earnings in prior years is appropriated based on the resolution dividend proposal drafted by the board of directors in a shareholders' meeting.
- (B) According to the regulations of the competent authority, if the Company's other equity has negative balance, it shall provide the same amount of special surplus reserve within the statutory limit. When the other equity is reversed, the special surplus reserve can be used to be distributed as dividends or offset a deficit.
- (C) The appropriations of earnings for 2021 had been resolved in the shareholders' meeting held on June 24, 2022. The appropriations of earnings for 2020 had been resolved in the shareholders' meeting held on August 9, 2021. The appropriations and dividends per share were as follows:

Items	For the Years Ended December 31,			
	2021		2020	
	Amount	Per share (dollar)	Amount	Per share (dollar)
Legal reserve	\$ 32,693		\$ 34,091	
Special reserve	-		84,850	
Cash dividends	338,311	\$ 1.5	225,541	\$ 1
Total	<u>\$ 371,004</u>	<u>\$ 1.5</u>	<u>\$ 344,482</u>	<u>\$ 1</u>

- (D) The proportion of cash dividends distributed shall not be less than 10% of the total dividends.
- (E) The appropriation for legal reserve is made until the reserve equals the aggregate par value of the Company's paid-in capital stock. The reserve can only be used to offset an accumulated deficit or, if the Company has no accumulated deficit, be distributed as dividends in cash or stock for the portion in excess of 25% of the paid-in capital.



**(23) Other Equity**

(A) Exchange differences on translation of foreign operations :

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ (386,242)	\$ (366,780)
Increase (decrease) in the period	192,495	(24,179)
Share of other comprehensive income of subsidiaries and associates	308	(119)
Income tax	(38,728)	4,836
Changes in share of ownership of subsidiaries	1,143	-
Ending balance	<u>\$ (231,024)</u>	<u>\$ (386,242)</u>

The exchange difference of converting net assets of foreign operations to the Company's presentation currency New Taiwan dollar is directly recorded to exchange difference arising on translation of foreign operations, which is under other comprehensive income.

(B) Unrealized gains and losses on financial assets measured at fair value through other comprehensive income

Items	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 24,089	\$ (87,181)
Valuation of profit (loss) for the period	73,227	111,270
Disposal of financial assets	-	-
Income tax	-	-
Ending balance	<u>\$ 97,316</u>	<u>\$ 24,089</u>

Unrealized gain/loss on fair value through other comprehensive income represents the cumulative gains or losses arising from the financial assets at fair value through other comprehensive income that are recognized in other comprehensive income. When those financial assets at fair value through other comprehensive income have been disposed, the related cumulative gains or losses in other comprehensive income are reclassified to retained earnings.

**(24) Operating Revenue**

Items	For the Years Ended December 31,	
	2022	2021
Construction contract revenue	\$ 10,804,985	\$ 4,993,578
Sales revenue	272	1,234
Total	<u>\$ 10,805,257</u>	<u>\$ 4,994,812</u>

(a) Segmentation of customer contract revenue :

The Company revenue is derived from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The revenue can be subdivided into the following major regional markets:

Items	For the Year Ended December 31, 2022		
	Taiwan	Other countries	Total
External customer contract revenue	\$ 10,755,726	\$ 49,531	\$ 10,805,257
Revenue recognized at a certain point in time	\$ 272	\$ -	\$ 272
Revenue recognized over gradually over time	10,755,454	49,531	10,804,985
Total	\$ 10,755,726	\$ 49,531	\$ 10,805,257

Items	For the Year Ended December 31, 2021		
	Taiwan	Other countries	Total
External customer contract revenue	\$ 4,984,512	\$ 10,300	\$ 4,994,812
Revenue recognized at a certain point in time	\$ 1,234	\$ -	\$ 1,234
Revenue recognized over gradually over time	4,983,278	10,300	4,993,578
Total	\$ 4,984,512	\$ 10,300	\$ 4,994,812

(b) Contract assets and contract liabilities :

Items	Dec. 31, 2022	Dec. 31, 2021
Contract assets		
Retainables for receivables	\$ 236,430	\$ 131,641
Retainables for receivables – related parties	24,102	6,467
Real estate construction	1,829,783	1,626,872
Subtotal	\$ 2,090,315	\$ 1,764,980
Less: loss allowance	(112,162)	(44,898)
Net value	\$ 1,978,153	\$ 1,720,082
Contract liabilities		
Real estate construction	\$ 13,879,258	\$ 1,479,884

(25) **Expected credit impairment loss (benefit)**

	For the Years Ended December 31,	
	2022	2021
(A) Expected credit impairment loss (benefit)	\$ (66,185)	\$ (51,149)

(B) The information on the changes in allowances for the Company's receivables and other receivables is as follows:

Items	For the Year Ended December 31, 2022				
	Notes receivable	Accounts receivable	Contract assets	Other receivables	Total
Beginning balance	\$ 24	\$ 3,251	\$ 44,898	\$ 11,618	\$ 59,791
Amount incurred in the current period	1	(254)	67,264	(826)	66,185
Write-off in the current period	-	-	-	-	-
Ending balance	\$ 25	\$ 2,997	\$ 112,162	\$ 10,792	\$ 125,976

Items	For the Year Ended December 31, 2021				
	Notes receivable	Accounts receivable	Contract assets	Other receivables	Total
Beginning balance	\$ -	\$ 1,932	\$ 221	\$ 6,489	\$ 8,642
Amount incurred in the current period	24	1,319	44,677	5,129	51,149
Write-off in the current period	-	-	-	-	-
Ending balance	\$ 24	\$ 3,251	\$ 44,898	\$ 11,618	\$ 59,791

**(26) Employee Benefits Expense, Depreciation and Amortization**

Employee benefits expense:

Items	For the Years Ended December 31,					
	2022			2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
expense	\$ 441,771	\$ 194,388	\$ 636,159	\$ 228,882	\$ 111,469	\$ 340,351
Salary	391,209	146,230	537,439	182,921	76,469	259,390
Labor and health						
insurance	27,264	10,622	37,886	25,677	8,246	33,923
Pension	14,917	4,532	19,449	13,920	3,499	17,419
Remuneration						
to directors	-	19,391	19,391	-	17,638	17,638
Others	8,381	13,613	21,994	6,364	5,617	11,981
Depreciation	15,811	6,300	22,111	8,649	5,928	14,577
Amortization	3,468	2,449	5,917	1,590	1,430	3,020

As of December 31, 2022 and 2021, the Company had 481 and 440 employees, respectively. There was both 5 non-employee directors.

The average employee benefits expense for 2022 and 2021 was \$1,296 thousand and \$742 thousand, respectively.

The average employee salary for 2022 and 2021 was \$1,129 thousand and \$596 thousand, respectively.

The average employee salary increased by 89.4% from 2021 to 2022.

The supervisor's remuneration for 2022 and 2021 were \$0.

The salary policies of the company (including director, manager and employee) were as follow:  
The director's remuneration was evaluated based on the attendance and contribution of each director.  
The manager's remuneration was evaluated based on the performance indicators. In addition to the basic salary, employees also had year-end bonuses and performance bonuses, and salary adjustments were made annually based on performance and price levels.

The Articles of Association of the Company stipulates that if there is a surplus in the year, the employees' compensation and directors' remuneration will be paid at the rate from 3% to 5% and less than 3% of the pre-tax profit before distribution of employees' compensation and directors'

remuneration. However, when the Company has accumulated losses, it should cover the deficit first.

The Company accrued employees' compensation and directors' remuneration on a percentage of net income before income tax, profit-sharing bonus to employees and compensation to directors during the period, which amounted to \$53,839 thousand and \$26,920 thousand, \$15,942 thousand and \$7,971 thousand for the years ended December 31, 2022 and 2021, respectively. If there is a change in the proposed amounts after the annual company-only financial statements are authorized for issue, the differences are recorded in next fiscal year as a change in accounting estimate.

The Board of Directors of the Company held on March 10, 2023 approved the employees' compensation and directors' remuneration in the amounts of \$53,839 thousand and \$26,920 thousand in cash for 2022. The Board of Directors of the Company held on March 30, 2022 approved the employees' compensation and directors' remuneration in the amounts of \$15,942 thousand and \$7,971 thousand in cash for 2021. There is no difference between the aforementioned approved amounts and the accrual amounts of 2022 and 2021.

The information on the earnings appropriation as resolved by the board of directors and approved by the shareholders' meeting is available at the "Market Observation Post System" of the Taiwan Stock Exchange.

## **(27) Non-operating Income and Expenses**

### **(A) Interest income:**

Items	For the Years Ended December 31,	
	2022	2021
Bank interest	\$ 40,376	\$ 3,725
Others	13,155	11,700
Total	<u>\$ 53,531</u>	<u>\$ 15,425</u>

### **(B) Other income:**

Items	For the Years Ended December 31,	
	2022	2021
Rental income	\$ 3,029	\$ 726
Dividend income	22,272	13,250
Total	<u>\$ 25,301</u>	<u>\$ 13,976</u>

(C) Other gains and losses, net:

Items	For the Years Ended December 31,	
	2022	2021
Foreign exchange gain (loss)	\$ 73,934	\$ (2,450)
Gain from lease modification	-	9
Gain (Loss) from disposal of property, plant and equipment	22	(24)
Gain (loss) on financial assets at fair value through profit and loss	(109,934)	82,270
Others	35,718	7,078
Net	<u>\$ (260)</u>	<u>\$ 86,883</u>

(D) Finance costs:

Items	For the Years Ended December 31,	
	2022	2021
Bank loan interest	\$ 18,582	\$ 33,613
Short-term notes and bills payable interest	864	2,073
Lease liabilities interest	308	70
Other liabilities interest	4	1
Total	<u>\$ 19,758</u>	<u>\$ 35,757</u>

**(28) Income Tax**

(A) A reconciliation between tax expense and the product of accounting profit and applicable tax rate was as follows:

Items	For the Years Ended December 31,	
	2022	2021
Profit from continuing operations	<u>\$ 1,265,222</u>	<u>\$ 374,626</u>
Income tax expense at the statutory rate	253,043	74,926
Effect from items disallowed by tax regulation	10,566	(24,998)
Tax effect of deferred income tax assets / liabilities	<u>(34,717)</u>	<u>24,591</u>
Current income tax payable	228,892	74,519
Current income tax payable in prior years	88	389
Tax on undistributed surplus earnings	<u>2,387</u>	<u>-</u>
Current income tax expense	231,367	74,908
Deferred income tax expense (income)	<u>34,717</u>	<u>(21,682)</u>
Income tax expense	<u><u>\$ 266,084</u></u>	<u><u>\$ 53,226</u></u>

(B) Components of income tax expense (income) were as follows:

Items	For the Years Ended December 31,	
	2022	2021
Current income tax expense :		
Current income tax payable	\$ 228,892	\$ 74,519
Current income tax payable in prior years	88	389
Tax on undistributed surplus earnings	2,387	-
Deferred income tax expense (income) :		
Temporary differences relating to the origination and reversal of deferred income tax	34,717	(24,591)
Unrecognized deferred income tax expense (income) of previous period	-	2,909
Income tax expense	<u>\$ 266,084</u>	<u>\$ 53,226</u>

(C) Income tax recognized in other comprehensive income was as follows:

Items	For the Years Ended December 31,	
	2022	2021
Exchange differences on translation of foreign operations	\$ 38,728	\$ (4,836)
Actuarial gain (loss) on defined benefit plans	1,827	1,382
Income tax relating to components of other comprehensive income	<u>\$ 40,555</u>	<u>\$ (3,454)</u>

(D) Deferred income tax assets (liabilities) was as follows:

For the Year Ended December 31, 2022

Items	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Income and expense recognized in equity	Exchange differences on translation	Ending balance
Temporary difference :						
Inventory valuation and obsolescence losses	\$ 1,822	\$ -	\$ -	\$ -	\$ -	\$ 1,822
Foreign investment recognized under equity method	(258,696)	(54,946)	-	-	-	(313,642)
Impairment loss	6,957	-	-	-	-	6,957
Provision - repair warranty	34,944	10,637	-	-	-	45,581
Loss Allowance	8,863	12,919	-	-	-	21,782
Accrued pension liability	8,471	-	(1,827)	-	-	6,644
Foreign exchange gains and losses	(1,097)	(2,099)	-	-	-	(3,196)
Gross loss of engineering	6,398	(1,228)	-	-	-	5,170
Exchange differences on translation of foreign operations	84,669	-	(38,728)	-	-	45,941
Deferred income tax (expense) income		<u>\$ (34,717)</u>	<u>\$ (40,555)</u>	<u>\$ -</u>	<u>\$ -</u>	
Deferred income tax assets (liabilities), net	<u>\$ (107,669)</u>					<u>\$ (182,941)</u>
Presentation in the balance sheet:						
Deferred income tax assets	<u>\$ 66,358</u>					<u>\$ 84,761</u>
Deferred income tax liabilities	<u>\$ (174,027)</u>					<u>\$ (267,702)</u>



For the Year Ended December 31, 2021

Items	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Income and expense recognized in equity	Exchange differences on translation	Ending balance
Temporary difference :						
Inventory valuation and obsolescence losses	\$ 1,822	\$ -	\$ -	\$ -	\$ -	\$ 1,822
Foreign investment recognized under equity method	(270,450)	11,754	-	-	-	(258,696)
Impairment loss	10,021	(3,064)	-	-	-	6,957
Provision - repair warranty	30,264	4,680	-	-	-	34,944
Loss allowance	250	8,613	-	-	-	8,863
Accrued pension liability	9,853	-	(1,382)	-	-	8,471
Foreign exchange gains and losses	(1,203)	106	-	-	-	(1,097)
Gross loss of engineering	6,805	(407)	-	-	-	6,398
Exchange differences on translation of foreign operations	79,833	-	4,836	-	-	84,669
Deferred income tax (expense) income		<u>\$ 21,682</u>	<u>\$ 3,454</u>	<u>\$ -</u>	<u>\$ -</u>	
Deferred income tax assets (liabilities), net	<u>\$ (132,805)</u>					<u>\$ (107,669)</u>
Presentation in the balance sheet:						
Deferred income tax assets	<u>\$ 57,812</u>					<u>\$ 66,358</u>
Deferred income tax liabilities	<u>\$ (190,617)</u>					<u>\$ (174,027)</u>

(E) The Company's income tax returns for the years through 2020 have been examined by the tax authority.

**(29) Earnings Per Share**

For the Year Ended December 31, 2022			
	Amount	Number of shares (thousand)	Earnings per share (NT\$)
Basic earnings per share:			
Net income available to common shareholders	\$ 999,138	225,541	\$ 4.43
Assumed conversion of all dilutive potential ordinary shares:			
Employee's compensation (Note)	-	1,552	
Net income available to shareholders (including effect of dilutive potential common shares)	\$ 999,138	227,093	\$ 4.40
For the Year Ended December 31, 2021			
	Amount	Number of shares (thousand)	Earnings per share (NT\$)
Basic earnings per share:			
Net income available to common shareholders	\$ 321,400	225,541	\$ 1.43
Assumed conversion of all dilutive potential ordinary shares:			
Employee's compensation (Note)	-	577	
Net income available to shareholders (including effect of dilutive potential common shares)	\$ 321,400	226,118	\$ 1.42

Note: The Company presume that the entire amount of employees' compensation will be settled in shares and the resulting potential shares should be included in the weighted average number of outstanding shares used in the calculation of diluted EPS. The number of shares is estimated by dividing the entire amount of employees' compensation by the closing price of the shares at the balance sheet date.

The dilutive effects of the potential ordinary shares need to be included in the calculation of diluted EPS until the board of directors resolve the number of shares to be distributed to employees at their meeting in the following year.

**(30) Supplemental cash flow information**

(A) The Company recognized the right-of-use assets and the lease liability concurrently increased by \$83,622 thousand and \$1,421 thousand in 2022 and 2021, respectively.

(B) The Company amended its lease contract, so the right-of-use assets and the lease liability dropped by \$234 thousand and \$1,403 thousand in 2022 and 2021, respectively.

(C) Investment activities with partial cash collection:

Items	For the Years Ended December 31	
	2022	2021
Disposition of investments accounted for using equity method	\$ -	\$ 4,900
Add: investment receivables at the beginning of the period	-	-
Sub: transfer to other receivables-related parties	-	-
Exchange rate difference	-	-
Cash received in this period	<u>\$ -</u>	<u>\$ 4,900</u>

**(31) Reconciliation of liabilities with financing activities**

(A) Reconciliation information on liabilities in 2022:

Items	Beginning balance	Cash flow	Change in non-cash	Exchange rate changes	Ending balance
Short-term borrowings	\$ 120,000	\$ 480,000	\$ -	\$ -	\$ 600,000
Short-term notes and bills payable	599,600	(400,000)	(53)	-	199,547
Long-term borrowings (including the portion expiring within one year)	1,137,964	(703,699)	-	-	434,265
Guarantee deposits received	12,127	(2,271)	-	-	9,856
Lease liability (including the portion expiring within one year)	1,701	(9,637)	83,388	(384)	75,068

(B) Reconciliation information on liabilities in 2021:

Items	Beginning balance	Cash flow	Interest paid	Exchange rate changes	Ending balance
Short-term borrowings	\$ 780,000	\$ (660,000)	\$ -	\$ -	\$ 120,000
Short-term notes and bills payable	399,586	200,000	14	-	599,600
Long-term borrowings (including the portion expiring within one year)	1,925,145	(787,181)	-	-	1,137,964
Guarantee deposits received	10,774	1,353	-	-	12,127
Lease liability (including the portion expiring within one year)	5,067	(3,384)	18	-	1,701

**7. Significant Transactions with Related Parties**

Transactions between the Company and other related parties were as follows:

(1) Related Parties and Relationship:

Related parties	Relationship
RSEA Engineering Corporation (privatized 2009)	Subsidiary
Unique Grand Limited	Subsidiary
L&K Engineering (SUZHOU) Co., Ltd.	Subsidiary
L&K Engineering Vietnam Co., Ltd.	Indirect Subsidiary
Yao, Chu-Shiang	Chairman of the Company

(2) Significant Transactions with Related Parties

(A) Operating Revenues:

	For the Years Ended December 31,	
	2022	2021
Subsidiaries	\$ 591,084	\$ 343,055

The Company's project income from related parties and non-related parties is based on general engineering contract or agreed conditions. In addition, there is no material difference in the Company's credit term between related parties and unrelated customers, which depends on the Company's engineering contract or individual agreed conditions.

(B) Operating Leases:

The Company's key management leased land and offices to the Company. The rent is paid monthly. For the years ended December 31, 2022 and 2021, \$2,400 thousand per year were recognized as rental expenses.

(C) Contract Assets - Current:

	Dec. 31, 2022	Dec. 31, 2021
Retainables for receivables - related parties		
Subsidiaries	\$ 24,102	\$ 6,467

(D) Accounts Receivable - Related Parties:

	Dec. 31, 2022	Dec. 31, 2021
Subsidiaries	\$ 246,688	\$ 107,522
Less: loss allowance	-	-
Net	\$ 246,688	\$ 107,522

(E) Other Receivables- Related Parties, Net (For financing purpose) :

For the Year Ended December 31, 2022

	Maximum balance	Ending balance	Interest rate	Interest revenue
Subsidiaries	\$ 483,005	\$ 271,320	3.50%	\$ 11,093

For the Year Ended December 31, 2021

	Maximum balance	Ending balance	Interest rate	Interest revenue
Subsidiaries	\$ 471,042	\$ 471,042	3.50%	\$ 11,700

(F) Accounts Payable - Related Parties:

	Dec. 31, 2022	Dec. 31, 2021
Subsidiaries	\$ 4,412	\$ 4,989

The above accounts payable - related parties occurred because the subsidiaries were subcontracted by the Company.

(G) Other Intercompany Debts:

	Items	Dec. 31, 2022	Dec. 31, 2021
Key management	Refundable deposits	\$ 500	\$ 500
Subsidiaries	Advance construction receipts	\$ 1,023,968	\$ 558,810

(H) Endorsement / Guarantee provided:

	For the Years Ended December 31,			
	2022		2021	
	Maximum balance	Ending balance	Maximum balance	Ending balance
Subsidiaries	\$ 1,863,000	\$ 1,863,000	\$ 1,863,000	\$ 1,863,000
Indirect Subsidiaries	50,256	50,256	45,290	45,290
Total	<u>\$ 1,913,256</u>	<u>\$ 1,913,256</u>	<u>\$ 1,908,290</u>	<u>\$ 1,908,290</u>

(I) Joint Venture:

(a) On November 12, 2011, the Company together with RSEA Engineering Corporation (privatized 2009) undertook a construction project of underground railway – Kaohsiung station section from Railway Reconstruction Bureau, Ministry of Transportation. The Company would furnish water, electrical and air conditioning installment and RESA Engineering Corporation (privatized 2009) would take the structural construction. A joint-venture agreement was signed on November 23, 2011 to specify the earnings (or losses) and relative rights, responsibilities and obligations were 40% to be taken by the Company and the rest 60% by RSEA Engineering Corporation (privatized 2009). The assets, liabilities, revenues and cost for the joint control engineering, and the Company's recognized portion represented on financial statements for the years ended December 31, 2022 and 2021 were as below :

	December 31, 2022		December 31, 2021	
	Amount	The amount of company by percentage	Amount	The amount of company by percentage
Joint control of operating assets	<u>\$ 611,899</u>	<u>\$ 244,759</u>	<u>\$ 577,946</u>	<u>\$ 231,178</u>
Joint control of operating liabilities	<u>\$ 582,917</u>	<u>\$ 233,167</u>	<u>\$ 554,177</u>	<u>\$ 221,671</u>
For the Years Ended December 31,				
	2022		2021	
Operating income from joint control engineering	<u>\$ 2,433,142</u>	<u>\$ 973,255</u>	<u>\$ 1,794,915</u>	<u>\$ 717,966</u>
Operating cost from joint control engineering	<u>\$ 2,427,928</u>	<u>\$ 971,171</u>	<u>\$ 1,791,068</u>	<u>\$ 716,427</u>

	For the Years Ended December 31,			
	2022		2021	
	Amount	The amount of company by percentage	Amount	The amount of company by percentage
Cumulative operating income that has been recognized from joint control engineering	\$ 13,525,237	\$ 5,410,094	\$ 11,092,096	\$ 4,436,839
Cumulative operating cost that has been recognized from joint control engineering	\$ 13,496,255	\$ 5,398,502	\$ 11,068,327	\$ 4,427,331

(b) On March 27, 2017, the Company and RSEA Engineering Corporation (privatized 2009) jointly contracted the Kaohsiung station ceiling (arch vault) project from the Bureau of Railway Reconstruction Engineering of the Ministry of Transport. The two parties sponsored the project in which the Company was responsible for the electrical, mechanical, and lighting projects, and RSEA Engineering Corporation (privatized 2009) was responsible for civil and construction projects. In response to the above-mentioned contract between the two parties, the two sides signed a joint contract agreement on March 24, 2017, stating that the surplus or loss and the relative rights, responsibilities and obligations arising from the execution of the principal contract between the two parties are 10% allocated to the Company and the rest 90% to RSEA Engineering Corporation (privatized 2009). The details of the assets, liabilities, income, and costs of joint project acquisitions in December 31, 2022 and 2021 are listed in the financial statements together with the Company's joint contracting ratios are as follows:

	December 31, 2022		December 31, 2021	
	Amount	The amount of company by percentage	Amount	The amount of company by percentage
Joint control of operating assets	\$ 797,913	\$ 79,791	\$ 891,037	\$ 89,104
Joint control of operating liabilities	\$ 499,205	\$ 49,920	\$ 666,510	\$ 66,651

	For the Years Ended December 31,			
	2022		2021	
	Amount	The amount of company by percentage	Amount	The amount of company by percentage
Operating income from joint control engineering	\$ 482,582	\$ 48,259	\$ 477,221	\$ 47,722
Operating cost from joint control engineering	\$ 408,401	\$ 40,841	\$ 380,809	\$ 38,081

	For the Years Ended December 31,			
	2022		2021	
	Amount	The amount of company by percentage	Amount	The amount of company by percentage
Cumulative operating income that has been recognized from joint control engineering	\$ 1,943,245	\$ 194,325	\$ 1,460,662	\$ 146,066
Cumulative operating cost that has been recognized from joint control engineering	\$ 1,644,537	\$ 164,454	\$ 1,236,135	\$ 123,613

(J) The Remuneration of Directors, Supervisors and Management Personnel Information:

The remuneration of directors and members of key management were as follows:

Items	For the Years Ended December 31,	
	2022	2021
Short-term benefits	\$ 29,616	\$ 26,839

The remuneration of directors and members of key management was determined by the compensation committee based on to the performance of individual and market trend.

## 8. Pledged Assets

The Company offered the following assets as collateral of bank loans, performance bonds and retention bonds:

Items	Dec. 31, 2022	Dec. 31, 2021
Restricted assets:		
Time deposits	\$ 105,313	\$ 235,991
Property, plant and equipment	59,405	61,959
Total	\$ 164,718	\$ 297,950

## 9. Significant Contingent Liabilities and Unrecognized Commitments

- (1)As of December 31, 2022 and December 31, 2021, the Company entered into unfinished construction contracts of \$85,332,169 thousand and \$36,764,346 thousand, respectively.
- (2)As of December 31, 2022 and December 31, 2021, the Company had guarantee notes payable for performance bonds, advance payment, warranty, and bid bonds of \$14,458,894 thousand and \$158,805 thousand , respectively.
- (3)As of December 31, 2022 and December 31, 2021, the Company had guarantee notes receivable for performance bonds and warranty of \$6,692,989 thousand and \$1,815,047 thousand, respectively.
- (4)As of December 31, 2022 and December 31, 2021, the Company had unused loan credits amounted to \$3,689,957 thousand and \$4,014,331 thousand, respectively.
- (5)As of December 31, 2022 and December 31, 2021, utilized endorsement and guarantee provided by banks for performance bonds were \$1,652,443 thousand and \$2,182,668 thousand, respectively.
- (6)As of December 31, 2022 and December 31, 2021, the Company's issued letters of credit were \$6,550 thousand and \$13,893 thousand, respectively.



(7) On March 7, 2017, Feng-Tian Construction Engineering Co., Ltd. (hereinafter referred to as “Feng-Tian”) requested the Company to pay \$24,887 thousand for cost of project at 5% annual interest for default from the day after the delivery of the written copy of the complaint letter to the date of settlement. This case is currently under review by the Taipei District Court. Feng-Tian filed for a payment order with the Shilin District Court on January 2, 2020, ordering the Company to pay the retention of NT\$4,392 thousand at 5% default interest per annum calculated from December 28, 2017 to the date of settlement. The Company made an objection with the court on January 9, 2020. The case is currently under review by the Taipei District Court.

On October 27, 2022, the court advised the two parties to settle. After the two parties both agreed, the case was transferred to mediation on December 27, 2022. The case is still in mediation proceeding.

(8) Hung Bao Engineering Co., Ltd. (hereinafter referred to as “Hung Bao”) undertook L&K Engineering’s project “TSMC F15 P7 MEP Package-Fire House Environmental Management System Engineering” and “TSMC F15P7 FAB B3G-B1F Fire Hydrant Pipeline (including Hydrant Box) Construction.” Hung Bao had a shortage of workers, unreasonable withdrawal and other violations of the contract, resulting in damage to the Company. The Company therefore offset the project payment of Hung Bao and the creditors’ rights of RSEA Engineering Corporation (privatized 2009) for Kaohsiung station project. Hung Bao filed a lawsuit with Shilin District Court on March 18, 2021, requesting the Company pay 5 million for damages. However, there is still a possibility of settlement because the affiliated company of Hung Bao is contracted the Company’s undertaker in Kaohsiung station project. Therefore, the dispute is now being negotiated in private by the directors of the Company and the person in charge of Hung Bao. The case was transferred to mediation and is in mediation proceeding.

## **10. Significant Loss from Natural Disaster: None.**

## **11. Significant Subsequent Events: None.**

## **12. Others**

### **(1) Capital Management**

The Company manages its capital to ensure its ability to continue as a going concern while maximizing the returns to shareholders by optimizing debt and equity balance. The Company has maintained a consistent policy for the year 2022.

The capital structure of the Company consists of the Company’s equity attributable to the shareholders (including capital, capital surplus, retained earnings, and other equities).

The Company is not subject to any externally imposed capital requirements.

The Company periodically reviews its capital structure by taking into consideration cost of capital and related risk.

The Company pays dividends, issues new shares, repurchases shares, issues and redeems convertible bonds to adjust its capital structure according to key management's advice.

### **(2) Financial Instruments**

#### **(A) Fair value of financial instruments:**

(a) The management considers that the carrying amounts of financial instruments not measured at fair value approximate to their fair value or the fair value can not be measured reliably.

#### **(b) Fair value measurements recognized in the parent company only balance sheets:**

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets and liabilities at recurring fair value are reassessed their classifications to determine whether transfers between levels of the fair value hierarchy have occurred.

(c) Financial instruments measured at fair value:

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss - domestic listed stocks	<u>\$ 192,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,358</u>
Financial assets at fair value through profit or loss – foreign bank debentures	<u>\$ 4,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,620</u>
Financial assets at fair value through other comprehensive income-noncurrent	<u>\$ -</u>	<u>\$ 218,942</u>	<u>\$ 208,269</u>	<u>\$ 427,211</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss - domestic listed stocks	<u>\$ 302,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,292</u>
Financial assets at fair value through other comprehensive income-noncurrent	<u>\$ -</u>	<u>\$ 127,982</u>	<u>\$ 226,002</u>	<u>\$ 353,984</u>

For the years ended December 31, 2022 and 2021, the financial instruments measured at recurring fair value did not transfer between the first and second levels.

(d) Valuation techniques and assumptions used to measure fair value:

The fair values of financial instruments are determined as follows:

- (i) The fair values of financial instruments with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. In addition, the fair value of an equity instrument placed privately by a listed company is measured by its market value, taking its non-active-market liquidity discount into consideration by adjusting its market value using its put option. The main assumption is that when an investor holds such a restricted equity instrument, the investor can buy a put option, with the strike price equivalent to the market value of such restricted equity instrument, to ensure the investor can still see its instrument at current market price after termination of restricted trading period. Therefore, the value of its put option, which is measured by using the Black-Scholes model, stands for the cost that investor is willing to pay in order to ensure liquidity of equity security market.

If markets prices are not available, estimates and assumptions used in valuation techniques are consistent with the information used by market participants in determining the prices of financial instruments.

- (ii) The fair values of derivative instruments use, if available, quoted prices in active markets. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Estimates and assumptions used in valuation techniques are consistent with the information use by market participants in determining the prices of financial instruments.

- (e) The changes of financial assets measured at fair value through other comprehensive income - non-current equity instruments without public quotation in level 3 items:

	For the Years Ended December 31,	
	2022	2021
Beginning balance	\$ 226,002	\$ 152,528
Recognized in other comprehensive income	(17,733)	23,474
Obtained in current period	-	50,000
Disposal in current period	-	-
Ending balance	\$ 208,269	\$ 226,002

(f) The quantitative information of the significant unobservable inputs and the sensitivity analysis of significant unobservable inputs to valuation model in Level 3 fair value measurement are as follows:

Dec.31,2021

Non-derivative equity instruments:	Fair value	Evaluation technique	Major unobservable input value	Interval (weighted average)	Input value and fair value relationship
Unlisted company stock	\$ 148,850	Net asset value method	Not applicable	-	Not applicable
Unlisted company stock		Comparable listed companies	<ul style="list-style-type: none"> <li>•Price to book multiplier</li> <li>•Discount for lack of marketability</li> </ul>	-	<ul style="list-style-type: none"> <li>•The higher the multiplier, the higher the fair value</li> <li>•The higher the discount for lack of marketability, the lower the fair value</li> </ul>
	\$ 59,419				

Dec.31,2021

Non-derivative equity instruments:	Fair value	Evaluation technique	Major unobservable input value	Interval (weighted average)	Input value and fair value relationship
Unlisted company stock	\$ 138,443	Net asset value method	Not applicable	-	Not applicable
Unlisted company stock		Comparable listed companies	<ul style="list-style-type: none"> <li>•Price to book multiplier</li> <li>•Discount for lack of marketability</li> </ul>	-	<ul style="list-style-type: none"> <li>•The higher the multiplier, the higher the fair value</li> <li>•The higher the discount for lack of marketability, the lower the fair value</li> </ul>
	\$ 87,559				

(g) The sensitivity of Level 3 fair value to reasonable possible alternative assumptions: use of different valuation models or valuation parameters may result in different valuation results. For financial instruments classified within Level 3, if the valuation inputs change, the impact on other comprehensive income in the current period is as follows:

			December 31, 2022	
	input value	Change up or down	Favorable change	Unfavorable change
Financial assets - equity instruments	Net asset value method	±10%	<u>\$ 14,885</u>	<u>\$ (14,885)</u>
	Price to book multiplier	±10%	<u>\$ 5,942</u>	<u>\$ (5,942)</u>
	Discount for lack of marketability	±10%	<u>\$ 5,942</u>	<u>\$ (5,942)</u>
			December 31, 2021	
	input value	Change up or down	Favorable change	Unfavorable change
Financial assets - equity instruments	Net asset value method	±10%	<u>\$ 13,844</u>	<u>\$ (13,844)</u>
	Price to book multiplier	±10%	<u>\$ 8,756</u>	<u>\$ (8,756)</u>
	Discount for lack of marketability	±10%	<u>\$ 8,756</u>	<u>\$ (8,756)</u>

(B) Categories of financial instruments:

	Dec. 31, 2022	Dec. 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 196,678	\$ 302,292
Financial assets at fair value through other comprehensive income	427,211	353,984
Financial assets at amortized cost:		
Cash and cash equivalents	5,757,506	1,251,405
Accounts receivable	1,855,257	2,078,937
Assets of contract - current	260,272	137,971
Other financial assets	631,525	763,501
	<u>\$ 9,128,749</u>	<u>\$ 4,888,090</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Short-term borrowings, notes and bills payable	\$ 799,547	\$ 719,600
Accounts payables	3,458,984	2,591,854
Long-term borrowings	434,265	1,137,964
Lease liability	75,068	1,701
Total	<u>\$ 4,767,864</u>	<u>\$ 4,451,119</u>

(3) Financial Risk Management Objectives and Policies

The Company's financial risk management objects focus on: market risk, credit risk and liquidity risk. The identification, measurement and management of these risks are in accordance with the Company's policy and risk preference.

The Company has established appropriate and internal control to manage these financial risks. Significant financial activities are reviewed by audit committees and/or board of directors in accordance with procedures required by relevant regulations or internal controls. In performing treasury management, relevant requirement of financial risk management shall be followed.

(A) Market risk

(a) Foreign currency risk

The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies of which values would be materially affected by the exchange rate fluctuations was as follows:

December 31, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 13,712	30.720	\$ 421,233
RMB : NTD	134,969	4.411	595,348
SGD : NTD	3,552	22.874	3,529
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 2,081	30.720	\$ 63,928

December 31, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 7,303	27.685	\$ 202,184
RMB : NTD	171,673	4.343	745,576
SGD : NTD	3,782	20.454	79,198
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 3,688	27.685	\$ 102,102

For the Year Ended December 31, 2022				
	Degree of variation		Impact of profit and loss	Impact of comprehensive profit and loss
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	4,212	\$ -
RMB : NTD	1%		5,953	-
SGD : NTD	1%		35	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	639	\$ -

For the Year Ended December 31, 2021				
	Degree of variation		Impact of profit and loss	Impact of comprehensive profit and loss
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	2,022	\$ -
RMB : NTD	1%		7,456	-
SGD : NTD	1%		792	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	102	\$ -

In the management's opinion, the sensitivity analysis did not reflect the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. The Company's foreign exchange gain (loss) for the years ended December 31, 2022 and 2021 were \$73,934 thousand and \$(2,450) thousand, respectively.

(b) Price risk

The Company is exposed to equity securities price risk because of investments at fair value through profit or loss and those at fair value through other comprehensive income in balance sheet. The Company will diversify investment portfolio to control the risk. The Company invests primarily in publicly-traded and private equity instruments, and the price of those equity instruments will be affected by the uncertainty of future value of the investment. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$1,970 thousand and \$3,023 thousand as a result of gains/losses on equity securities classified as at fair value through profit or loss, and other comprehensive income would have increased/decreased by \$4,272 thousand and \$3,540 thousand, respectively.

(c) Interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, which is partially offset by cash and



cash equivalents held at variable rate.

Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2022 and 2021, the Company's long-term borrowings were mainly issued at variable rate, denominated in NTD.

At December 31, 2022 and 2021, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have been increased/decreased by \$3,474 thousand and \$9,104 thousand.

(B) Credit risk

The Company's primary inherent credit risk arises from to cash, cash equivalent, and receivables. The Company's cash and cash equivalent is deposited with various financial institutions. The Company control its credit risk exposure to each financial institution and considers that cash and cash equivalent are not subject to significant concentration of credit risk.

In order to minimize credit risk, the Company evaluates the financial conditions of its customers and when necessary, requests for collateral or guarantee. The Company also evaluates the collectability of its receivables on a regular basis and provide allowance for doubtful accounts. Loss from doubtful accounts has been within management's estimate.

As of December 31, 2022 and 2021, the Company's ten largest customers accounted for 99.64% and 99.57% of accounts receivable, respectively.

(C) Liquidity risk

The Company maintains financial liquidity by cash, cash equivalents, and bank borrowing. The following table sets forth the Company's liquidity analysis for its non-derivative financial liabilities. The table is based on the undiscounted contractual cash outflows assuming the earliest maturity date.

<u>Non-derivative financial tool</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<u>December 31, 2022</u>					
Short-term borrowings (including short-term notes and bills payable)	\$ 799,547	\$ -	\$ -	\$ -	\$ 799,547
Accounts payable	3,458,984	-	-	-	3,458,984
Long-term borrowings	203,764	208,073	13,723	17,219	442,779
Lease liability (including portion expiring within one year)	42,884	29,084	4,385	-	76,353

<u>Non-derivative financial tool</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<u>December 31, 2021</u>					
Short-term borrowings (including short-term notes and bills payable)	\$ 719,600	\$ -	\$ -	\$ -	\$ 719,600
Accounts payable	2,591,854	-	-	-	2,591,854
Long-term borrowings	203,749	18,655	919,945	20,923	1,163,272
Lease liability (including portion expiring within one year)	1,736	-	-	-	1,736

### **13. Additional Disclosures**

(1) Information on significant transactions:

- (A) Lending funds to others: Please see Table A attached.
- (B) Providing endorsements or guarantees for others: Please see Table B attached.
- (C) Holding of securities at the end of the period: Please see Table C attached.
- (D) Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: None.
- (E) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
- (F) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
- (G) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table D attached.
- (H) Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table E attached.
- (I) Trading in derivative instruments: None.

(2) Information on investees: Please see Table F attached.

(3) Information on investments in the Mainland Area:

- (A) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table G attached.
- (B) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table G attached.

(4) Main shareholder information: Please see Table H attached.

### **14. Segment Information:**

The Company has provided the segments disclosure in the consolidated financial statements.

Table A : Lending funds to others

Unit: thousands of NTD(RMB)

No. (Note 1)	Financing Company	Counter - party	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (RMB in Thousands) (Note 3&9)	Ending Balance ( RMB in Thousands) (Note 8&9)	Amount Actually Drawn ( RMB in Thousands) (Note 9)	Interest Rate	Nature for Financ - ing (Note 4)	Total Transsac - tion Amount (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 7&9)	Financing Company's Total Financing Amount Limits (Note 7&9)
													Item	Value		
0	L&K Engineering Co., Ltd.	Unique Grand Limited	Other receivable - related parties	Yes	\$ 705,760 (RMB 160,000)	\$ 483,005 (RMB 109,500)	\$ 263,928 (RMB 59,834)	3.5%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$3,478,292	\$3,478,292
1	Unique Grand Limited	Sunshine (China) Inc.	Other receivable - related parties	Yes	\$ 690,322 (RMB 156,500)	\$ 689,090 (RMB 156,221)	\$ 689,090 (RMB 156,221)	3.5%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$837,188	\$837,188
2	Sunshine (China) Inc.	Xiang Sheng Investme nt Co., Ltd.	Other receivable - related parties	Yes	\$ 633,420 (RMB 143,600)	\$ 629,983 (RMB 142,821)	\$ 629,983 (RMB 142,821)	3.5%~ 4.75%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$870,289	\$870,289

Note 1: The number means:

(1) The securities issuer is coded "0".

(2) The subsidiaries are coded in order starting from "1".

Note 2: Accounts receivable from related parties, other receivables from related parties, shareholder loans, prepayments, temporary payments, etc.

Note 3: The highest balance with others in this year.

Note 4: The code represents the nature of financing activities as follow:

(3) Trading partners.

(4) Short-term financing.

Note 5: Total transaction amount refers to the business trading value between the borrower and lender in this year.

Note 6: Reason for financing refers to the purpose for short-term financing.

Note 7: The maximum amount for individual enterprise is 40% of the lender's net worth as disclosed in the latest financial statement. The maximum amount for total loan is 40% of the lender's net worth as disclosed in the latest financial statements. If borrowers are foreign companies whose voting rights are directly and indirectly wholly-owned by the Company, the limit is 50% of the lender's net worth as disclosed in the latest financial statement

Note 8: The ending balance for the period represents the amounts approved by the Board of Directors.

Note 9: The above amounts were translated into New Taiwan dollars at the exchange rate of December 31, 2022.

Table B : Providing endorsements or guarantees for others

Unit : thousands of NTD(USD/RMB/VND)

Note 1: The number means:

No. (Note1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period (USD and RMB in Thousands) (Note 5)	Ending Balance (USD and RMB in Thousands) (Note 5)	Amount Actually Drawn (Note 5)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	(Note 8) Guarantee Provided by Parent Company	(Note 8) Guarantee Provided by A Subsidiary	(Note 8) Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	L&K Engineering Co., Ltd.	L&K Engineering Vietnam Co., Ltd.	Note 2 (2)	\$ 8,695,729 (Note 3)	\$ 50,256 (USD1,636)	\$ 50,256 (USD1,636)	\$ 4,217 (VND 3,281,956)	\$ -	0.58%	\$17,391,458 (Note 3)	Y		
0	"	RSEA Engineering Corporation (privatized 2009)	Note 2 (2)	8,695,729 (Note 3)	1,863,000 (Note 4)	1,863,000 (Note 4)	1,402,074	-	21.42%	17,391,458 (Note 3)	Y		
1	L&K Engineering (SUZHOU) Co., Ltd.	Suzhou Xiang Sheng Trade Company Ltd.	Note 2 (2)	5,296,539 (Note 8)	172,029 (RMB39,000)	172,029 (RMB39,000)	-	-	3.25%	10,593,078 (Note 7&8)			Y
1	L&K Engineering (SUZHOU) Co., Ltd.	L&K Engineering Company Limited	Note 2 (2)	5,296,539 (Note 8)	110,275 (RMB25,000)	110,275 (RMB25,000)	-	-	2.08%	10,593,078 (Note 7&8)			

(1) The securities issuer is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (a) Having business relationship.
- (b) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (c) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (d) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (e) Mutual guarantee of the trade as required by the construction contract.
- (f) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The guarantee amount provided by the Company to a single guaranteed party shall not exceed one hundred percent (100%) of the net worth of L&K Engineering Co., Ltd. The ceiling for total guaranteed amount provided by the Company shall not exceed two hundred percent (200%) of the net worth of L&K Engineering Co., Ltd. The guarantee amount provided by the Company and subsidiaries to a single guaranteed party shall not exceed one hundred percent (100%) of the net worth of L&K Engineering Co., Ltd. The ceiling for total guaranteed amount provided by the Company and subsidiaries shall not exceed two hundred percent (200%) of the net worth of L&K Engineering Co., Ltd. The net worth is based the latest audited or reviewed financial statements.

Note 4: As of December 31, 2022, L&K Engineering Co., Ltd. has endorsed secured promissory note of \$ 1,863,000 thousand for RSEA Engineering Corporation (privatized 2009) for operating needs.

Note 5: The above amounts were translated into New Taiwan dollars at the exchange rate at December 31, 2022.

Note 6: For guarantee provided by parent company, guarantee provided by a subsidiary, and guarantee provided to subsidiaries in mainland China, filled in Y.

Note 7: The amount is based on net worth of the endorsement/guarantee provider.

Note 8: The maximum endorsement/ guarantee amount policy of L&K Engineering (SUZHOU) Co., Ltd. is the same with the Company.

Table C: Holding of securities at the end of the period

Unit: thousands of NTD

Holding Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	Remark
L&K Engineering Co., Ltd.	Listed stock	United Microelectronics Corporation	None	Financial assets at fair value through profit or loss	4,550	\$ 185,173	-	\$ 185,173	
"	"	Hua Nan Financial Holdings Co., Ltd.	"	"	320	7,185	-	7,185	
"	Unlisted stock	A2peak Power Co., Limited	"	"	2,000	-	5.44%	-	
						\$ 192,358			
"	Foreign bank debentures	Emirates NBD PJSC foreign bank debentures	"	Financial assets at fair value through profit or loss	-	\$ 4,620	-	\$ 4,620	
"	Unlisted stock	Bestample Investments Limited	None	Financial assets at fair value through other comprehensive income	-	\$ 143,368	15.00%	\$ 143,368	
"	"	United BioPharma Inc.	"	"	806	3,596	0.42%	3,596	
"	"	ProMOS TECHNOLOGIES Inc.	"	"	507	5,482	1.13%	5,482	
"	"	Cica-Huntek Chemical Technology Taiwan Co., Ltd.	"	"	2,500	55,823	7.58%	55,823	
"	Listed stock	PharmaEssentia Corporation	"	"	581	218,942	0.19%	218,942	
						\$ 427,211			

Table D: Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more

Unit: thousands of NTD

Purchases and sales company	Counterparty	Relationships with the counterparty	Transaction situation				Circumstances and reasons why trading conditions are different from ordinary trading		Notes and accounts receivable (paid)	
			Purchase and sale	Amount	Percentage of total purchases and sales	Credit period	Unit price	Credit period	Balance	Percentage of total bills and accounts receivable (paid)
L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	Subsidiary	Sales	\$ (591,084)	(5.47%)	30 days	\$ -	-	\$ 246,688	15.60%

Table E: Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more

Unit: thousands of NTD(RMB)

Creditor	Counterparty	Counterparty's relationships to the creditor	Balance as at December 31,2022		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance of doubtful account
			Characteristics	Amount		Amount	Action taken		
L&K Engineering Co., Ltd.	Unique Grand Limited	Subsidiary	Other receivables	\$ 271,320 (RMB 61,510)	-	\$ -	-	\$ -	\$ -
"	RSEA Engineering Corporation (privatized 2009)	"	Accounts receivables	246,688	-	-	-	-	-
Unique Grand Limited	Sunshine (China) Inc.	Subsidiary	Other receivables	689,090 (RMB156,221)	-	-	-	-	-
Sunshine (China) Inc.	Sunshine Investment Co., Ltd.	Subsidiary	Other receivables	629,983 (RMB142,821)	-	-	-	-	-



Table F: Information on investees (not including investees in Mainland China)

Unit: thousands of NTD(USD/RMB)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Foreign Currencies in Thousands) (Note 1)
				December 31, 2022 (Foreign Currencies in Thousands) (Note 1)	December 31, 2021 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands) (Note 1)		
L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	13 F, No.175, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 221, Taiwan	Note 2	\$ 2,525,589	\$ 2,525,589	270,047	83.65%	\$ 3,036,896	\$ 48,674	\$ 40,715
"	L&K Engineering Co., Ltd. (BVI)	Tortola, British Virgin Islands.	The business of imports and exports	1,615	1,615	-	100.00%	651,615	83	83
"	Unique Grand Limited	Tsimshatsui, HK	Engaged in regular trade	1,821,916	1,597,983	-	51.71%	1,082,275	(78,237)	(40,567)
"	Formosa Medical Devices Inc.	16F, No.182, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan	Note 4	49,036	49,036	4,904	40.88%	-	-	-
L&K Engineering (SUZHOU) Co., Ltd.	L&K Engineering Company Limited	Wanchai, HK	Note 5	61,044 (RMB 13,839)	60,103 (RMB 13,839)	-	100.00%	272,248 (RMB 61,720)	59,511 (RMB 13,596)	59,511 (RMB 13,596)
L&K Engineering Company Limited	L&K Engineering Vietnam Co., Ltd.	Binh Thanh, Ho Chi Minh City Vietnam	Note 3	78,336 (USD 2,550)	70,597 (USD 2,550)	-	51.00%	78,502 (USD 2,555)	5,676 (USD 194)	2,895 (USD 99)

- Note 1 : The above amounts were translated into New Taiwan dollars at the exchange rate of December 31, 2022.
- Note 2 : Metal architectural components manufacturing, machinery and equipment manufacturing, cybernation equipment construction, machinery installation construction, integrated construction, public works construction and investment, and all business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Note 3 : Engaged in engineering, purchase, construction, and related business.
- Note 4 : Engaged in medical equipment wholesale and retail.
- Note 5 : Engaged in the business of imports and exports, customer development and after-sales services.

Table G : Information on the investees in Mainland China

Unit: thousands of NTD(USD/RMB)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Foreign Currencies in Thousands) (Note 1)	Method of Investment (Note 2)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (USD in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (USD in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Share of Profit /Losses (Foreign currencies in Thousands) (Note 3)	Carrying Amount as of December 31, 2022 (Foreign currencies in Thousands)	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
L&K Engineering (SUZHOU) Co., Ltd.	Note 5	\$ 941,131 (RMB213,360)	(a)	\$ 478,816 (USD15,619)	\$ -	\$ -	\$ 478,816 (USD15,619)	\$ 677,759	53.99%	\$ 365,944 (b)	\$ 2,861,814 (RMB648,328)	\$ 834,334
Suzhou Xiang Sheng Trade Company Ltd.	Note 6	88,220 (RMB20,000)	(c)	Note 11	-	-	Note 11	(7,666)	53.99%	(4,139) (RMB(946)) (b)	86,334 (RMB19,572)	-
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	Note 7	88,220 (RMB20,000)	(c)	Note 11	-	-	Note 11	373	53.99%	202 (RMB46) (b)	17,139 (RMB3,886)	-
RSEA Construction Engineering (Chongqing) Co., Ltd.	Note 8	567,644 (USD18,478)	(c)	190,863 (USD6,213)	-	-	190,863 (USD6,213)	(32,106)	53.99% Note 15	(17,334) (RMB(3,960)) (b)	306,843 (RMB69,563)	-
Sunshine (China) Inc.	Note 9	3,065,856 (USD99,800)	(b)	1,606,656 (USD52,300)	-	-	1,606,656 (USD52,300)	(61,419)	51.71% Note 12	(31,980) (USD(1,087)) (b)	900,053 (USD29,299)	-
Sunshine Investment Co., Ltd.	Note 10	2,329,008 (RMB528,000)	(c)	Note 13	-	-	Note 13	(40,453)	51.71%	(21,156) (RMB(4,799)) (b)	915,074 (RMB207,453)	-

Investor Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
L & K Engineering Co., Ltd.	\$ 2,420,582 (USD78,795) (Note 1&14&15)	\$ 2,394,563 (USD77,948) (Note 1&14)	(Note 4)

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of December 31, 2022.

Note 2: (a) L&K Engineering Co., Ltd. directly invested.

(b) L&K Engineering Co., Ltd. indirectly invested in China company through a third region.

(c) Other

Note 3: (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

(a) The financial statements that were audited and attested by an international accounting firm which has cooperative relationship with an accounting firm in R.O.C.

(b) The financial statements were audited by the same CPA as L&K Engineering Co., Ltd.

(c) Other

Note 4: The Company complies with the operating document of the operating headquarters issued by Ministry of Economic Affairs, so there is no investment limit.

Note 5: Engaged in the business of manufacturing and sales of air conditioners, ceilings, and compartments.

Note 6: Providing service of environmental sanitation, anti-pollution, constructional contract, and management consultation.

Note 7: Fire engineering construction, fire engineering maintenance and fire equipment sales.

Note 8: Engaged in the business of manufacturing and sales of air conditioners, ceilings, and compartments.

Note 9: Engaged in land consolidation, construction of traveling and related facilities, sanitation and pollution prevention service, recreational service, construction and technical service, management consulting service.

Note 10: Engaged in investment of ecological touring business, property, and construction management consultation.

Note 11: Invested by L&K Engineering (SUZHOU) Co., Ltd.

Note 12: Invested by Unique Grand Limited.

Note 13: Invested by Sunshine (China) Inc.

Note 14: The investment authorized by Investment Commission, MOEA includes the Company's indirect investment \$155,474 (USD \$5,061 thousand) in 7.023% of Zhongao Plaza Management Co., Ltd., on which the Company does not have significant influence. The accumulated in Mainland China as of December 31, 2022 includes investment \$143,247 (USD \$4,663 thousand) in Zhongao Plaza Management Co., Ltd.

Note 15: The Company disposed of RSEA Construction Engineering (Chongqing) Co., Ltd. to L&K Engineering (SUZHOU) Co., Ltd in July, 2020. The proceeds amount was \$319,180 thousand (RMB76,304 thousand). As of December 31, 2022, The Company has collected part of the proceeds and obtained the approval letter from the Investment Commission, MOEA.

Table H : Main shareholder information:

Unit: thousand shares		
Major Shareholder	Number of shares (thousand)	Proportion of shares
Shen Shen Investment Co., Ltd.	23,856	10.57%
White Young Investment Co., Ltd.	13,756	6.09%

Note 1: The information of major shareholders in this table derived from Taiwan Depository & Clearing Corporation, which identified shareholders who hold more than 5% of the Company's shares (including treasury shares) in dematerialized form for which the registration and book-entry delivery operations for securities was complete on the last business day of current quarter. The above number of share may differ from that in the financial statements because of different calculation bases.

Note 2: If a shareholder transfers a portion of his shares to a trust, the shares in the trustee's account will be counted separately. In contrast, the transferred shares of which the shareholder retains the power to decide the allocation are counted into the shares owned by the shareholder in information filed and disclosed in accordance with the Securities and Exchange Act. For such information on insider's shareholding, please refer to Public Information Observatory.