

Stock Code: 6139



2023

Annual Report

Printed on 31 May 2024

Taiwan Stock Exchange Market Observation Post System:
<http://mops.twse.com.tw>

This annual report is available at:
<https://www.lkeng.com.tw/investors3.php>

i. Company Spokesperson and Acting Spokesperson

Spokesperson

Name: Hsiao-Ling Chiang

Title: President

Telephone: (02)2691-9099

Email: fd1300@lkeng.com.tw

Acting Spokesperson

Name: Shu-Chen Chen

Title: Senior vice president

Telephone: (02)2691-9099

Email: fd1300@lkeng.com.tw

ii. Headquarters, Branch Offices, and Factories

Name	Address	Telephone
Headquarters	5F, No. 17, Ln. 120, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	(02)2657-6697
Xizhi Office	14F, No. 175, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	(02)2691-9099
Hsinchu Office	No. 9, Ren'ai Rd., Hukou Township, Hsinchu County	(03)598-1311
Tainan Office	No. 219, Shenei, Xinshi Dist., Tainan City	(06)589-0045
Singapore Branch	72 Lorong 19 Geylang Singapore 388510	+65-68467667

iii. Share Transfer Agency

Name: Corporate Trust Operation and Service Department, CTBC Bank Co., Ltd.

Address: 5F, No. 83, Sec. 1 Chongqing South Rd., Taipei City

Telephone: (02)6636-5566

Website: ecorp.ctbcbank.com/cts/index.jsp

iv. Certified Public Accountant

Accountants: Tseng-Kuo Huang / Jung Hua Chen

Company: L.H. Chen & Co., CPAs

Address: 5F, No. 5, Ln. 768, Sec. 4, Bade Rd., Nangang Dist., Taipei City

Telephone: (02)2788-6696

Website: www.lhccpa.com.tw

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

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I. Letter to Shareholders

i. 2023 Business report.

Looking back on 2023, geopolitical factors such as the Russia-Ukraine war and the Israel-Hamas conflict have disrupted the supply of commodities. The real estate crisis and rising household debt in China have led to sluggish private consumer confidence. The trade and high-tech competition between the United States and China continues, which has served as a catalyst for changes in the global production supply chain model, the advancement of economic de-globalization, and a move toward regional fragmentation and short-chain development. Although inflation rates in major countries have eased, the deferred effects of tightening monetary policies are gradually emerging. The global economy has taken a hit from sluggish end-market demand and industrial inventory adjustments, resulting in weak economic growth. Turning the focus back to Taiwan, despite the fact that private consumption remains fairly stable, commodity exports are weak, and the willingness of private enterprises to invest is subdued. However, business opportunities for high-tech applications, such as high-speed computing and artificial intelligence, are booming. With the expansion of emerging technologies and the destocking of supply chains, the export momentum of principal commodities is expected to gradually pick up.

Contrasted with the weak overall domestic economic growth over the past year, the continuous evolution and innovation in information and communications technology, as well as consumer electronics, have driven technology giants, including those in the semiconductor industry and related supply chains, to continue expanding their investments. In addition, the government's investment in public construction has also continued to grow. Therefore, the operations of L&K Group's cleanroom M&E projects and civil engineering business have not been significantly affected by the overall economic weakness. In response to changes in the overall economic climate, the Company has made timely adjustments to its business strategies after an in-depth review of both subjective and objective conditions. In addition to continuing operations in familiar markets, we have expanded our efforts into niche markets with long-term development potential. We have also actively improved our management and services across various projects in industries including semiconductors, biotech, and pharmaceuticals, as well as in fields including energy, rail engineering, railways, highways, airports, commercial buildings, and zone expropriation. By deepening the integration of engineering services across all fields and industries, including construction and M&E engineering, we aim to enhance the company's competitiveness through our comprehensive management capabilities in professional integration and high-value-added engineering services. Owing to the successful implementation of the aforementioned business strategies, the Company's performance and profits have both experienced notable growth over the past year. The consolidated operating revenues for the year reached NT\$56,905,000,000, and the after-tax earnings per share soared to NT\$12.81, achieving a record high in recent years.

ii. 2024 Business Plan

These include the trade war between the United States and mainland China, which has escalated into comprehensive competition, the trends in monetary policies of major economies, which are causing fluctuations in global financial markets, and the impact of geopolitical risks on the supply and prices of energy and raw materials, coupled with climate change and other factors. These uncertainties could linger and impact the pace of global economic development and recovery. However, we still have reasons to remain optimistic, with the high-tech industry continuing to grow through innovations in technology and applications, including areas such as electric vehicles, autonomous driving, new energy development and storage systems, robotics, drones, the Internet of Things (IoT), big data, artificial intelligence (AI), cloud services, 5G/6G communications, and precision medicine. Future society will continue to advance the development of smart living, smart manufacturing, and smart cities, driving innovation in products and service models. This trend will also continue to expand the demand for plant construction, expansion, and other engineering services across fields such as semiconductor wafer foundries, memory, testing and packaging, display panels, and the biotech and pharmaceutical industries. Therefore, despite some lingering risks in the overall economy, L&K Group's business is still expected to achieve steady growth.

Taiwan's economy is heavily reliant on the economic and trade growth of the United States and China; therefore, it is impossible for us to shy away from the fluctuations resulting from the global political and economic conflicts. Facing an ever-changing market, the management team must adopt a more macro and innovative mindset and practices. Beyond transitioning from a purely product, professionalism, and price-oriented platform to a diverse value-oriented platform that aims to establish an all-field engineering technology platform for all-around engineering services, the team must also lead all employees toward innovative engineering services and improvements in enterprise value. Upholding the enterprise spirit of striving for perfection, L&K aims to create competitive advantages by increasing the added value of products and services. To achieve this, we are committed to strengthening employee training for professional skills, optimizing product design and construction methods, integrating supply chain management, and reducing costs. In terms of market strategy, it will actively participate in urban renewal projects, branch out into land development and green energy construction, expand its operations and presence in global markets, and capitalize on the opportunities brought by smart development and the reorganization of global supply chains.

Leveraging expertise complementation and resource integration, L & K ENGINEERING CO., LTD. and RSEA Engineering Corporation (privatized 2009) manage to effectively develop potential business opportunities by providing comprehensive services. The successful operations in recent years serve as testament to this cooperative model. The synergy between the two companies has enhanced our turnkey capacity to undertake construction, M&E, and equipment projects, expanded the scope of the group's engineering services, and also enabled us to achieve our strategic goals: diversifying and branching out into projects across various industries and

markets.

On the other hand, L&K Engineering (SUZHOU) Co., Ltd. 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. Looking to the long run, the performance of L&K Engineering will benefit from this development trend.

In conclusion, we are optimistic that, bolstered by the continued growth of mainstream industries and the strong ability of the business in which the company engages to withstand overall economic risks, along with the collaborative efforts of its professional team and partners, L&K's business will remain stable and grow in the foreseeable future.

In recent years, against the backdrop of severe challenges posed by global climate change and increasing carbon reduction requirements by international industrial supply chains, the United Nations' Sustainable Development Goals (SDGs) have emerged as a trend. Under the framework of the Paris Agreement, industries worldwide have reviewed their response to climate change, actively engaging in efforts surrounding areas such as mitigation, adaptation, technologies, funding, capacity building, and transparency. Additionally, these industries have set a target to achieve net-zero greenhouse gas emissions by 2050. In order to strike a balance between syncing with international standards and meeting the needs of sustainable development, and to adapt to the toll of global climate change and build a resilient system, L&K Group has developed a deep understanding of the high correlation between the development of the engineering industry and climate change. Facing a future with more regulatory controls such as the introduction of carbon pricing and the implementation of carbon taxes internationally, L&K Group has actively strengthened and established a sustainable development organization to assesses the risks and opportunities of corporate operations through the Global Reporting Initiative (GRI) Standards, the Task Force on Climate-related Financial Disclosures (TCFD), and the Sustainability Accounting Standards Board (SASB) Standards. Additionally, L&K Group is actively engaging in R&D in green technologies and investing in green projects. Considering the nature of projects across each category and the comprehensive life cycle, we have identified material indicators and topics based on stakeholders and their impact on the organization. We have devised strategies and management policies for energy conservation and carbon reduction, which we regularly track, review, and improve. In addition, we will ramp up our efforts in training within the company and foster long-term cooperation between industry and academia. By taking concrete actions, we aim to accelerate talent cultivation, improve quality, and fulfill our corporate social responsibilities. All these actions have repeatedly demonstrated that L&K not only practices ESG principles but also motivates our supply chain partners to work with us towards the sustainable goal of a net-zero transition.

We would like to express gratitude to all of our clients and shareholders for your long-term trust and continuous support. 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, we have managed to build a more complete service platform. 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 steadfastly advance toward the goals of opening up new niche markets and achieving sustainable operations, thereby helping L&K to create a new outlook and forge a better future.

Best regards,

Chairman: Chu-Shiang Yao

President: Hsiao-Ling Chiang

iii. Implementation of the 2023 business plan

(I) Business changes in 2023:

Unit: NT\$ 1,000

Item	2023	2022	Difference	%
Operating Revenue	56,904,659	35,738,886	21,165,773	59.22%
Operating Costs	51,748,425	33,001,985	18,746,440	56.80%
Gross Profit	5,156,234	2,736,901	2,419,333	88.40%
Operating Expenses	1,142,919	1,119,722	23,197	2.07%
Net Operating Income	4,013,315	1,617,179	2,396,136	148.17%
Non-operating Income and Expenses	523,982	86,817	437,165	503.55%
Income before Income Tax	4,537,297	1,703,996	2,833,301	166.27%
Income Tax Expense	993,956	419,973	573,983	136.67%
Net Income	3,543,341	1,284,023	2,259,318	175.96%
Basic Earnings Per Share	12.81	4.43	8.38	189.16%

(II) 2023 Budget Implementation: N/A. The Company did not release any financial forecast in 2023.

(III) Analysis of financial gains and losses and profitability for 2023

Item of Analysis			Financial Analysis	
			2023	2022
Capital Structure (%)	Debt to asset ratio		71.37	73.86
	Long-term fund to fixed assets		2,106.62	1,739.90
Profitability	Return on total assets (%)		6.96	3.28
	Return on equity (%)		24.97	10.61
	Paid-in capital ratio	Net Operating Income %	177.94	71.70
		Income before Income Tax %	201.17	7575.55
	Net margin (%)		6236.23	3.593.59
	Basic Earnings Per Share		128112.81	4.43

(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
2023	<p>※ The establishment of micro-chemical analysis laboratory: Completed developing the abilities to apply scanning electron microscope and gas chromatography-mass spectrometry, and applied them in real-life practice. Gas chromatography-mass spectrometry laboratory has passed the national accreditation laboratory for qualification assessment in China.</p> <p>※ The development of modular construction technology: By using a handheld scanner to scan 3D models of valves, pipe fittings, equipment, and other components, a real standard module for pipe fitting construction is established, then entered into a database, imported into a Revit model, and ultimately directly used in the project model.</p> <p>※ The development of Micro-Vibration Online Monitoring Technology: Through online monitoring of mechanical equipment vibration, it is possible to predict in advance whether there are any abnormalities in the mechanical equipment. Early warning of equipment abnormalities has been made, as well as online analysis of vibration data. Currently under continuous development.</p> <p>※ Application and development of the gas pollution release characteristics of the primary and middle filter: Collected the Contaminated filters that were replaced at the project site, completed the air release test of the filter and data collection, and established the air release database of the filter.</p>

iv. Overview of 2024 Business Plan

L&K represents a technical service platform integrating professional engineering systems and the differentiated needs of various industries. Drawing on our overall expertise in technical services 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 various systems required for the projects of all types of buildings, manufacturing plants, and infrastructures, including civil, construction, plumbing, electrical, HVAC, fire prevention, light-current, instrument control, and process equipment.

In 2023, the effects of the sharp tightening of monetary policies by major European and American economies in response to inflation have become apparent. This has led to slower economic growth, sluggish demand in the end markets, and the manufacturing industry continuing to prioritize destocking. These effects further extend to shrinking trade momentum and postponed investment willingness. Meanwhile, the United States and China have intensified their political, economic and trade competition, and geopolitical conflicts continue to escalate. The Friend-Shoring strategy has continuously driven changes in the reorganization of global supply chains and the relocation of production bases. The Chinese economy, once the engine of global economic growth, is now caught in a whirlpool of slowing fixed asset investment, a sharp decline in the construction and real estate industries, and unrelenting negative reports on economic growth. Domestically, although the government and public utilities continue to promote public construction investment, the global economic outlook is still overshadowed by uncertainties. Manufacturing inventory adjustments have been slower than expected, and, when coupled with changes in the supply chain amidst competition between the United States and China, these factors are collectively suppressing corporate investment momentum. Regarding foreign trade, the end-market demand for goods has weakened, and global trade growth is slowing. The annual growth rate for imported and exported goods, whether in the information electronics sector or traditional industries, has generally declined. The expected full-year growth rate remains less than optimistic.

Looking ahead to 2024, the overall economic environment, inflation rates, stability of global financial markets, and geopolitical conflicts all continue to be riddled with uncertainties. However, it is expected that the destocking of global inventories for smartphones and personal computers will continue until the end of the fourth quarter of 2023. Additionally, the advancement in artificial intelligence-related chips is expected to spur investment demand for high-performance GPUs and the optimization of semiconductor equipment. As a result, Taiwan's high-tech industry is anticipated to be among the first to benefit from the next surge in demand.

L&K will continue all the hard work we have put in 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 will continuously seek innovation, never settle, and strive for perfection in technology expertise and business operations. In the team organization, we are committed to adjusting and strengthening the division of labor, leveraging advantages in our internal structure. We will adopt differentiated market strategies, target market segments that are different from our competitors, and seek a unique and competitive business model and market positioning. At present, the group has branched out beyond its familiar M&E projects in semiconductors, display panels, and the biotech and pharmaceutical industries. It now also dabbles in a variety of projects, including road, bridge, and water conservancy infrastructure, airport developments, urban railway three-dimensionalization, metropolitan rapid transit networks, landmark commercial building constructions, world-class stage lighting and sound equipment, comprehensive land development, urban renewal, and the reconstruction of unsafe and outdated buildings. Additionally, in response to the continuous growth of public construction projects, the existing capital of subsidiary RSEA Engineering Corporation (privatized 2009) has shown insufficient for bidding on multiple projects. To compete for more profitable opportunities and enhance performance, RSEA Engineering Corporation (privatized 2009) has successively conducted follow-on public offerings (FPOs). With long-term development goals in mind, the issuance of new shares is intended to expand market presence and achieve greater economies of scale. Moreover, the company plans to leverage the group's specialized expertise to optimize labor division and mitigate potential risks in domestic market operations, aiming to achieve operating results characterized by diversified and comprehensive benefits through cross-industry integration. 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

In the future, high-tech industries around the world will continue to evolve and grow. L&K will adapt 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 high-tech industries. On the other hand, the global supply chain will undergo regional restructuring in response to U.S.-China trade frictions, consequently prompting more relocation of fixed asset investments in the supply chain and an increase in overseas Taiwanese businesses moving 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 uncertainty, we expect that our business performance in 2024 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 trends in political and economic competition between the United States and China, the Company's operations will gradually shift from focusing on semiconductors, displays, biotech and pharmaceuticals, 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 trends 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. Taiwan is about to become a super-aged society by 2025. As the population ages, many of the old houses across the country are over 30 years old and in need of urban renewal. Statistics show that a staggering 4.62 million houses in Taiwan are over 30 years old. In Taipei City alone, as many as 72% of the residential buildings exceed 30 years of age. To enhance building safety, improve urban landscapes, and promote urban regeneration, governments at both the central and local levels have offered multiple incentives. With the introduction of the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings and governmental bank financing discounts, the restrictions that previously hindered the promotion of old house reconstruction have been greatly eased. In addition, both the Taipei City Government and the New Taipei City Government actively promote urban

renewal and the reconstruction of unsafe and old buildings, which will also likely drive future business opportunities for L&K Group in this area.

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 skillsets 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 employ enterprise resource planning systems and effective knowledge management to enhance its competitiveness, adjust the organizational structure to improve execution capabilities in response to market competition, and shape a learning environment within the corporation to strengthen employees' diverse professional capabilities, thereby enhancing the Company's adaptability 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 highs, lows, collaboration, and competition within industries are constantly changing with evolving trends, and the regulatory environment adapts accordingly to the development of high-tech sectors. Governments worldwide recognize the need to strike an appropriate balance between economic growth, political considerations, and environmental protection regulations. However, the political and economic rivalry between the United States and China has led to the implementation of entity lists and export controls. Therefore, the Company must stay in sync with the pace of its high-tech industry clients and keep a close eye on regulatory updates in these areas. In recent years, guided by the trend towards ESG principles in corporate operations and supply chain management, L&K will move beyond mere profit goals to elevate its level of corporate governance and facilitate sustainable development for the environment and society. For the short term ahead, although the external competitive, regulatory, and operating environments will be constantly filled with challenges, these environments should not have a significant negative impact on the company's operations.

Chairman:
Chu-Shiang Yao

Manager:
Hsiao-Ling Chiang

Accounting Supervisor:
Ya-Lin Chan

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 Corporation (privatized 2009) 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 F18 P1/P2/P3 Underground Piping System Project and Excavation and Backfilling Work from Taiwan Semiconductor Manufacturing Company Limited.
 - Commissioned by Nanya Technology Corp. to expand the FAB-3AN 9 Phases cleanroom.
- 2019
 - Commissioned by Macronix International Co., Ltd. to undertake the MEP expansion of FAB5 plant systems.
 - Obtained the Longtan LY3 Plant Construction Project from Taiwan Apple, LLC, Taiwan Branch (U.S.A.).
 - Obtained the Kaohsiung Plant General MEP Phase I 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.
 - Obtained the MEP, Fire Prevention, and HVAC Project for the "Taipei City Nangang District Jingmao Section Land Serial No.15 Superficies" from 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 system from Taiwan Semiconductor Manufacturing Co., Ltd.
 - Obtained the tsmc RD Center underground piping package 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.
 - Obtained TOSHMS Taiwan Occupational Safety and Health

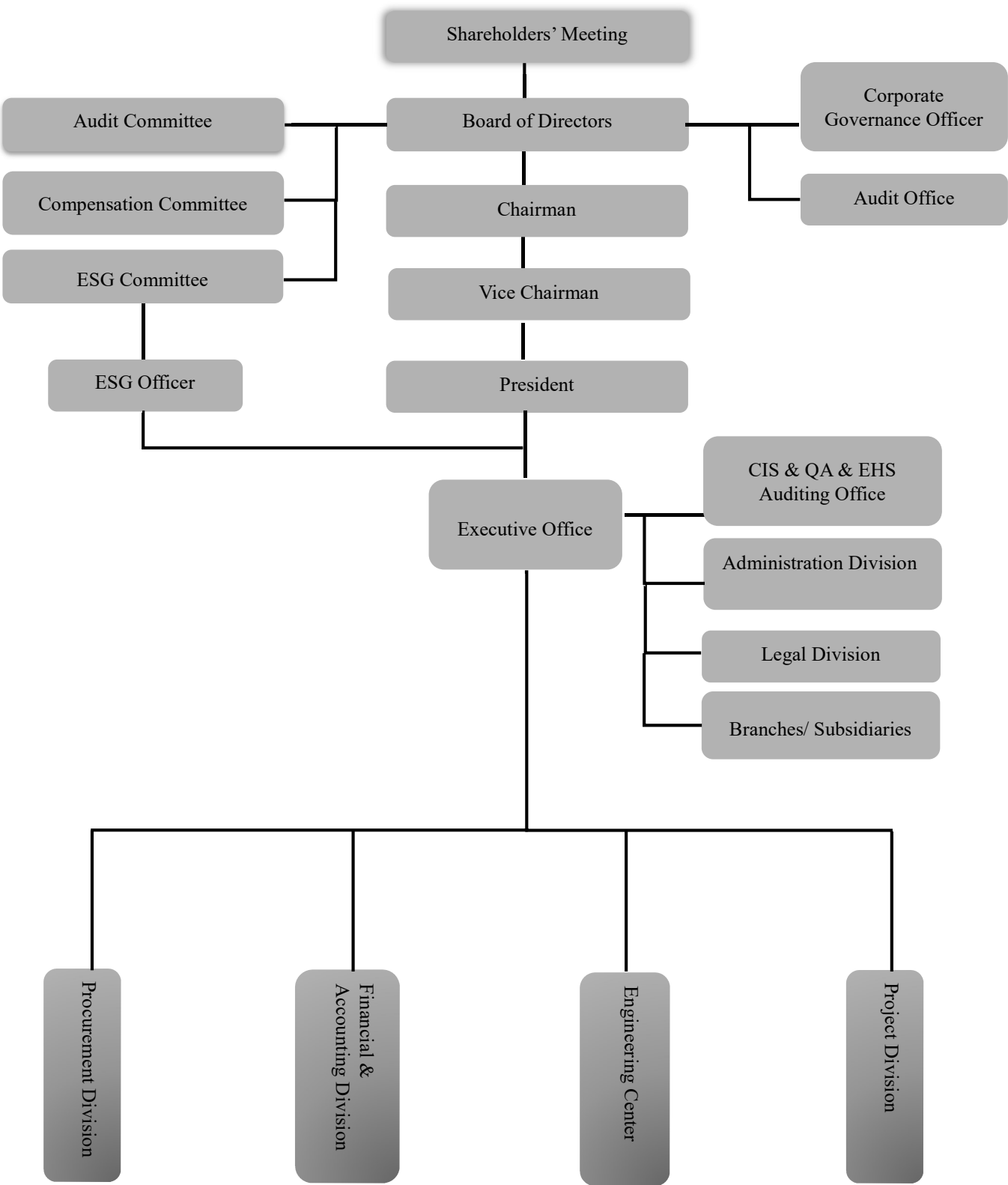
Management System Transition Certification (CNS 45001).

- 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 Tunghnan 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 (ACL212-1 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.
- 2023
- Obtained the F22P1 Underground piping package of Taiwan Semiconductor Manufacturing Company, Ltd.
 - Received a Certificate of Appreciation from Chien Hsin University of Science and Technology (for providing off-campus internship opportunities during the 2022 academic year).
 - Received a Certificate of Appreciation from National Taipei University of Technology (for providing off-campus internship courses during the 2023 academic year).
 - Won the 1111 Job Bank 2023 Happy Enterprise Silver Award.
 - Received a Certificate of Appreciation from Children Are Us Foundation (for supporting public welfare through consumer spending).
 - Published our first sustainability report, titled the “2022 Sustainability Report,” which has received third-party certification.
 - Published the English version of the 2022 Sustainability Report for the first time.
 - Obtained the FAB Expansion Project (Design) from Taichung Photronics Photomask Co., 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	The Officer is responsible for matters relating to the Board of Directors, Audit Committee, Compensation Committee, and Shareholders' Meeting, in accordance with the law. The Officer assists with the onboarding and continuing education of board directors, ensures their compliance with the law, provides information required for their duties, and reports to the Board of Directors on the results of the review concerning the compliance of independent directors' qualifications with relevant laws and regulations during their nomination, election, and term.
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>Information Development: Manages enterprise information technology, including ensuring smooth operations for information system planning, design, development, maintenance, and security, in order to provide the information services required by employees or customers.</p> <p>Information Security: Performs duties to ensure the company's information security, including formulating information security policies, assessing and managing information security risks, and responding to information security incidents.</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: Coordinates in the construction and fixation of projects, product R&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

31 May, 2024

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	
		Shen Investment Co., Ltd.					23,855,522	10.57%	24,447 835	10.49%	—	—	—	—	—	None	Director	Tze-Hung Wang	Two Degrees of Kinship	—
Chairman	Republic of China	Representative: Chu-Shiang Yao	Male 65-70	2021/08/09	3 years	2000/07/19	6,358,013	2.82%	6,515,877	2.80%	3,286,399	1.41%	—	—	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%	6,515,877	2.80%	3,286,399	1.41%	—	—	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, L&K Engineering Vietnam Co., Ltd.	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%	9,053,483	3.89%	—	—	—	—	—	—	—	—	—	—
		Representative: Bor-Jen Chen					—	—	—	—	—	—	—	—	President, Vice Chairman, 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	—	—	—	—

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	6.10%	14,097,244	6.05%	—	—	—	—	Department of Energy and Refrigerating Air-conditioning Engineering, National 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	0.40%	940,256	0.40%	9,571	—	—	—	University of Technology Director, Unique Grand Limited Person in charge of Yunze Investment Co., Ltd. Director, Shen Investment Co., Ltd. Director, Cica-Huntek Chemical Technology Taiwan Co., Ltd. Person in charge of Wei Ze Investment 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	Xun Hwei Investment Co., Ltd.	Male 55-60	2021/08/09	3 years	2005/05/18	11,224,763	4.98%	11,503,464	4.94%	—	—	—	—	Department of Electrical Engineering, Hsinpu Institute of Technology	—	—	—	—	—
		Representative: Chung-Cheng Lo					—	—	—	—	—	—	—	—	Law Department, Fu Jen Catholic University Chief, New Construction Office, Public Works Department, Taipei City Government Secretary, Maintenance Office, Public Works Department, Taipei City Government Officer, Secretary, Public Construction Commission of Executive Yuan	None	—	—	—	—

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	—	—	—	—	—	—	—	—	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%	1,906,048	0.82%	2,129,465	0.91%	—	—	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 60-65	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	Independent Director, Voltronic Power Technology Corp. Independent Director, 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	Chien-Jan Lee	Male 60-65	2021/08/09	3 years	2018/05/24	—	—	—	—	—	—	—	—	Chairman, Accounting Education Foundation Member, Auditing Standards Committee Member, Listing Review Committee Director, The Audit Bureau of Certification Editor, Journal of Contemporary Accounting Editor, Soochow Journal of Accounting Independent Director, Copartner Tech Corp.	Independent Director, Voltronic Power Technology Corp. Independent Director, 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	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 Aletheia University/ Nanhua University Taipei Medical University Taipei City University of Science and Technology	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	—	—	—	—	—	—	—	—	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)	President & Director, Twn 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	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 or 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: 42.62%)
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 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.	<p>(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.</p> <p>(10) Not a spouse or relative of second degree or closer to any other directors.</p> <p>(11) Not elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.</p>	None

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

1. Diversity

- Diversity policy:
 - (1) 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, ensuring diversity and independence as required by the "Rules for Elections of Directors" and the "Corporate Governance Best Practice Principles." Following the resolution and approval of the Board of Directors, the list of candidates is presented at the shareholders' meeting for election.
 - (2) To strengthen corporate governance and promote the sound development of board composition and structure, the Company clarifies in the "Policy on Diversity of Board Members" in Article 5, Paragraph 5.1 of the "Corporate Governance Best Practice Principles" that the composition of the Board of Directors shall consider the company's operating model and business development requirements. It is recommended to evaluate all aspects of diversity, such as basic components (including gender, nationality, and age) and professional knowledge and skills (including accounting, law, industry, and finance). The Company's current Board of Directors consists of eight members—five directors and three independent directors—all with rich experience and expertise in fields including industry knowledge, international markets, accounting, tax, business, and management.
- Specific management objectives:

The Board of Directors shall provide guidance on the Company's strategies, supervise the management, be responsible for the Company and its shareholders. It shall ensure that it exercises its functions following applicable laws, regulations, the Articles of Incorporation, or decisions made during shareholders' meetings with regard to the respective operations and arrangements of the corporate governance system. Specific management objectives are as follows:

 - (1) The Company's Board of Directors values gender equality and shall include at least one female director.
 - (2) The Company's Board of Directors focuses on sound business judgments, operational management, and crisis management abilities. Two-thirds or more of the board members shall possess the relevant core competencies.
 - (3) Independent directors may not serve more than three terms to maintain their independence.
 - (4) For the purpose of ensuring effective supervision, the number of directors on the Company's Board of Directors who are concurrently employees of the Company, or its parent, subsidiary, or sister company, shall be less than or equal to one-third of the total number of directors.
- The Company's diversity policy management objectives and progress are as follows:
 - (1) The Company currently has three independent directors out of eight board members to ensure the independence of the Board of Directors. To date, there is one female director serving, accounting for 12.5% of the board. One more female director is expected to be added to achieve the objective of gender equality.
 - (2) All board members of the Company are equipped with the necessary capabilities to perform their duties, including knowledge, skills, qualities, and industrial decision-making and management. Additionally, the Company offers a diverse array of continuing education courses for board members to improve the quality of their decision-making and fulfill their overseeing responsibilities, thereby strengthening the functions of the Board of Directors. The board members possess rich management experience, each with a relevant professional background, and have the necessary professional knowledge, skills, and qualities to perform their duties. Among the 9 core competencies, at least one-third of the members have relevant capabilities to perform their duties. Regarding the 3 core competencies the Company focuses on—sound

business judgments, operational management, and crisis management—a minimum of 80% of the members possess these core capabilities.

- (3) To ensure the independence of the Company's independent directors, each of them shall not serve more than three terms cumulatively.
- (4) Currently, there is one board member who is concurrently an employee, which is less than one-third of the total number of directors.

- Implementation of board member diversity by each director is as follows:

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	An international market perspective
Director Name		Male	R.O.C.				V			V	V		V	V	V	V	V	V
		Male		V	V					V	V		V	V	V	V	V	V
		Male					V		V	V		V	V	V	V	V	V	V
		Male				V			V	V	V	V	V	V	V	V	V	V
		Male					V		V	V		V	V	V	V	V	V	V
		Male				V		V	V		V	V	V	V	V	V	V	V
		Male				V			V	V	V	V	V	V	V	V	V	V
		Female							V	V	V		V	V	V	V	V	V

2. Independence:

The Company currently has 8 members on the Board of Directors, including 5 directors and 3 independent directors, who account for 37.5% and have served for 9 years or less. All independent directors of the Company comply with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." There are no such relationships among the directors and independent directors as specified in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. The Company's Board of Directors is independent. Please refer to 39 of the Annual Report for disclosure of information on the professional qualifications of directors and independence of independent directors.

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

2024/5/31

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	15,273	0.01	-	-	-	-	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	15,846	0.01	-	-	-	-	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	10,000	0.00	-	-	-	-	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	14,273	0.01	-	-	-	-	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	265,742	0.11	110,752	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	1,000	0.00	-	-	-	-	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	Nu-Chen Feng (Note1)	Female	2024.04.01	-	-	-	-	-	-	Experience: Manager of Administration Division at L&K Engineering Co., Ltd. / Personnel Accountant at Dayi Automotive Repair Shop / Personnel Accountant at Pirelli Education: Master's degree from the Institute of Chinese Literature, Chinese Culture University	None	-	-	-	-
Corporate Governance Officer	Republic of China	Shu-Ling Ko	Female	2021.03.05	1,618	0.00	-	-	-	-	Experience: Manager, Finance Department and Accounting Department, L&K Engineering Education: Department of Accounting, Ming Chuan University	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	
ESG officer	Republic of China	Shu-Ming Hsu	Male	2023.06.26	2,000	0.00	-	-	-	-	Experience: Special Assistant to the Chairman's Office at L&K Engineering Co., Ltd. / Project Manager, Technical Manager, General Manager, General Manager of the Indonesia Branch, Sinotech Engineering Consultants Education: Ph.D., Department of Civil and Construction Engineering, National Taiwan University of Science and Technology	None	-	-	-	-

Note1. Nu-Chen Feng was appointed as Chief Auditor on 2024/4/1. (Fang-Man Peng was discharged from post on 2024/4/1)

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

17. Remunerations Paid to General Directors and Independent Directors												Unit: TWD 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		-		-		24,585		-	-	24,585 0.85%	24,585 0.69%		
Representative Chu-Shiang Yao		4,500	5,570	-		-		48	48	4,548 0.16%	5,618 0.16%		
Wei Ze Investment Co., Ltd.		-		-		12,000		-	-	12,000 0.42%	12,000 0.34%		
Representative Bor-Jen Chen		5,250	5,625	-		-		18	18	5,268 0.18%	5,643 0.16%		
White Young Investment Co., Ltd.		-		-		12,000		-	-	12,000 0.42%	12,000 0.34%		
Representative Chih-Hsun Yao		-		-		-		48	60	48 0.002%	60 0.002%		
Xun Huei Investment Co., Ltd.		-		-		12,000		-	-	12,000 0.42%	12,000 0.34%		
Representative Chung-Cheng Lo		-		-		-		42	42	42 0.001%	42 0.001%		
Director Tze-Hung Wang		-		-		4,000		42	42	4,042 0.14%	4,042 0.11%		
Independent Director Chien-Jan Lee		-		-		4,000		48	48	4,048 0.14%	4,048 0.11%		
Independent Director Tung-Hao Ho		-		-		4,000		48	48	4,048 0.14%	4,048 0.11%		
Independent Director Cho-Lan Peng		-		-		4,000		48	48	4,048 0.14%	4,048 0.11%		

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		-		-		-	-	-	-	-	-	-	24,585 0.85%	24,585 0.69%	-
Representative Chu-Shiang Yao		-		-		-	-	-	-	-	-	-	4,548 0.16%	5,618 0.16%	-
Wei Ze Investment Co., Ltd.		-		-		-	-	-	-	-	-	-	12,000 0.42%	12,000 0.34%	-
Representative Bor-Jen Chen		-		-		-	-	-	-	-	-	-	5,268 0.38%	5,643 0.31%	-
White Young Investment Co., Ltd.		-		-		-	-	-	-	-	-	-	12,000 0.42%	12,000 0.34%	-
Representative Chih-Hsun Yao		1,447	1,447	-		1,200	-	1,200	-	-	-	-	2,695 0.09%	2,707 0.08%	-
Xun Huei Investment Co., Ltd.		-		-		-	-	-	-	-	-	-	12,000 0.42%	12,000 0.34%	-
Representative Chung-Cheng Lo		-		-		-	-	-	-	-	-	-	42 0.001%	42 0.001%	-
Director Tze-Hung Wang		-		-		-	-	-	-	-	-	-	4,042 0.14%	4,042 0.11%	-
Independent Director Chien-Jan Lee		-		-		-	-	-	-	-	-	-	4,048 0.14%	4,048 0.11%	-
Independent Director Tung-Hao Ho		-		-		-	-	-	-	-	-	-	4,048 0.14%	4,048 0.11%	-
Independent Director Cho-Lan Peng		-		-		-	-	-	-	-	-	-	4,048 0.14%	4,048 0.11%	-

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 2023.

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.

Note 5: Except as disclosed above, the remuneration received by directors in the latest year for services (e.g., acting as a non-employee consultant to the parent company, all consolidated entities in the financial reports, or invested business) rendered to the Company: None.

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	-	-	-	-
NT\$2,000,000 (incl.)-NT\$3,500,000	-	-	-	-
NT\$3,500,000 (incl.)-NT\$5,000,000	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\$5,000,000 (incl.)-NT\$10,000,000	-	-	-	-
NT\$10,000,000 (incl.)-NT\$15,000,000	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\$15,000,000 (incl.)-NT\$30,000,000	Shen Shen Investment Co., Ltd.		Shen Shen Investment Co., Ltd.	
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		2,606	2,606	-	-	600	600	1,200	-	1,200	-	4,406 0.15%	4,406 0.12%	-
Executive Vice President Min-Kui Hsu		2,400	2,400	-	-	600	600	1,400	-	1,400	-	4,400 0.15%	4,400 0.12%	-
Senior vice president Shu-Chen Chen		2,400	2,400	-	-	600	600	1,400	-	1,400	-	4,400 0.15%	4,400 0.12%	-
Vice President, CIS & QA and EHS Auditing Office Kuei-Yao Yeh		1,906	1,906	-	-	450	450	1,000	-	1,000	-	3,356 0.12%	3,356 0.09%	-
Vice President, Engineering Center-Department of Design Ying-Te Liu		1,803	1,803	-	-	450	450	800	-	800	-	3,053 0.11%	3,053 0.09%	-

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 2023.

Remuneration Range

Range of RemunerationPaid 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	Kuei-Yao Yeh , Ying-Te Liu	
NT\$3,500,000 (incl.)-NT\$5,000,000	Hsiao-Ling Chiang, Min-Kui Hsu, Shu-Chen Chen	
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) (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	2,606	2,606	-	-	600	600	1,200	-	1,200	-	4,406 0.15%	4,406 0.12%	-
	Executive Vice President Min-Kui Hsu	2,400	2,400	-	-	600	600	1,400	-	1,400	-	4,400 0.15%	4,400 0.12%	-
	Senior vice president Shu-Chen Chen	2,400	2,400	-	-	600	600	1,400	-	1,400	-	4,400 0.15%	4,400 0.12%	-
	Vice President, CIS & QA and EHS Auditing Office Kuei-Yao Yeh	1,906	1,906	-	-	450	450	1,000	-	1,000	-	3,356 0.12%	3,356 0.09%	-
	Vice President, Engineering Center-Department of Design Ying-Te Liu	1,803	1,803	-	-	450	450	800	-	800	-	3,053 0.11%	3,053 0.09%	-

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

Unit:NT\$ 1,000 2024/5/31

Title	Name	Stock	Cash	Total	Total as a Percentage of Net Income (%)
President and Executive Vice President	Hsiao-Ling Chiang, Min-Kui Hsu	-	19,772	19,772	0.68%
Vice president . Chief Auditor. Corporate Governance Officer. Accounting Supervisor. ESG Officer.	Shu-Chen Chen, Kuei-Yao Yeh, Ying-Te Liu, Nu-Chen Feng, Shu-Ling Ko, Ya-Lin Chan, Shu-Ming Hsu				

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	2023		2022	
	The Company	All consolidated entities	The Company	All consolidated entities
Director	NT\$108,873 and 3.77%	NT\$110,396 and 3.12%	NT\$55,333 and 5.54%	NT\$56,803 and 5.69%
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.

(1) Policies, standards, and packages of remuneration

- A. The directors of the Company receive no compensation other than transportation subsidies for each board meeting they attend. In addition, directors' remuneration shall be paid according to Article 32 of the Articles of Incorporation. If the company makes a profit during the fiscal year, the Board of Directors shall resolve to set aside three to five percent for employee remuneration and up to three percent for directors' remuneration. The distribution for directors' remuneration shall be conducted in accordance with the Company's Rules Governing the Principles for Directors' Remuneration Distribution, requiring submission to the Compensation Committee for review. Once approved by the Board of Directors, it will be submitted to the shareholders' meeting.
- B. The appointment and remuneration of the President and Vice President shall follow company regulations and industry salary standards. The compensation structure includes a base salary, additional pay based on positions, stipends, and bonuses.

(2) Procedures for setting remuneration

To refine the compensation system for the Company's directors and managers, the Company has established the Compensation Committee under 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 committee members evaluate the compensation policies and systems for the Company's directors and managers from a professional and objective perspective, providing suggestions to the Board of Directors for informed decision-making. The actual remuneration paid to directors and managers in 2023 was reviewed by the Compensation Committee and then proposed to the Board of Directors for approval.

(3) Relationship with operating performance and future risks

Based on its powers, the Compensation Committee develops and reviews the annual and long-term performance targets of the Company's directors and managers, along with the policies, systems, standards, and structure of their compensation, on a regular basis. The Committee also conducts periodic evaluations of the directors' and managers' achievements against these set targets. It evaluates the rationality of the relevance between individual performance and the company's operating performance and future risks by considering industry standards, work performance, internal compensation standards, the company's achievement of its short- and long-term operational targets, financial standing, etc.

iv. Corporate Governance Operating Status

(I) Status of Board Operation

A total of 8 board meetings (A) were held in the most recent year (2023); 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	8	0	100%	-
Director	Xun Huei Investment Co., Ltd. Representative: Chung-Cheng Lo	7	1	88%	-
Director	White Young Investment Co., Ltd. Representative: Chih-Hsun Yao	8	0	100%	-
Director	Wei Ze Investment Co., Ltd. Representative: Bor-Jen Chen	3	5	38%	-
Director	Tze-Hung Wang	7	1	88%	-
Independent Director	Chien-Jan Lee	8	0	100%	-
Independent Director	Tung-Hao Ho	8	0	100%	-
Independent Director	Cho-Lan Peng	8	0	100%	-

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 62-67 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
2023/03/22	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	Chu-Shiang Yao Tung-Hao Ho Bor-Jen Chen Chung-Cheng Lo Chih-Hsun Yao	Director Chu-Shiang Yao and Director Tung-Hao Ho were the Chairman and Vice Chairman of St. John's University, respectively, and were in attendance during the meeting. Director Bor-Jen Chen and Director Chung-Cheng Lo were both representatives of companies controlled by Director Chu-Shiang Yao, while Director Chih-Hsun Yao was a relative by blood of the second degree. All should therefore recuse themselves from the discussion and voting of the proposal to avoid a conflict of interest under the Compact Act. The proposal was passed as proposed, without objection from the remaining directors present at the meeting.
2023/06/26	Discussion on the establishment of the Company's first ESG Committee and appointment of its members	Tung-Hao Ho	Mr. Tung-Hao Ho is an independent director and the candidate being proposed for the position. Therefore, he shall abstain from participating in discussions and voting due to a personal conflict of interest. This was unanimously passed without objection from the remaining directors present in the meeting following the chair's inquiry.
2023/11/03	Discussion on the Company's 2022 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 Director 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.
2023/11/30	Discussion on the proposal by the Company's reinvested subsidiary, Hong Kong Unique Grand Limited (hereinafter referred to as "Unique Grand"), to repay the principal and interest of a loan close to maturity through borrowing from Taiwan Shen Shen Investment Co., Ltd. (hereinafter referred to as "Shen Shen")	Chu-Shiang Yao Chih-Hsun Yao Bor-Jen Chen Chung-Cheng Lo	The board members in attendance during the meeting—the representative from Shen Shen Investment Co., Ltd., Chairman Chu-Shiang Yao; the representative from White Young Investment Co., Ltd., Director Chih-Hsun Yao; the representative from Weiri Investment Co., Ltd., Director Bor-Jen Chen; and the representative from Xunhui Investment and Industrial Co., Ltd., Director Chung-Cheng Lo—abstained from participating in the discussion and voting due to conflicts of interest, as stipulated by the Rules of Procedure for the Board of Directors' Meetings. Chairman Yao appointed Director Tze Hung Wang to serve as the acting chair, overseeing the discussion and voting on this proposal. Following the acting chair's inquiry, the proposal was passed as proposed, without objection from the remaining directors present at the meeting.

Date of board meeting	Agendas	Recusal of directors due to conflict of interests	Reason for Recusal and Status of Participation in Voting Process
2024/01/17	Discussion on the allocation of shares that managers can subscribe to in the Company's 2023 cash capital increase	Chu-Shiang Yao Chih-Hsun Yao	The board members in attendance during the meeting—the representative from Shen Shen Investment Co., Ltd., Chairman Chu-Shiang Yao; and the representative from White Young Investment Co., Ltd., Director Chih-Hsun Yao—abstained from participating in the discussion and voting due to conflicts of interest, as stipulated by the Rules of Procedure for the Board of Directors' Meetings. Chairman Yao appointed Director Chien-Jan Lee to serve as the acting chair, overseeing the discussion and voting on this proposal. Following the acting chair's inquiry, the proposal was passed as proposed, without objection from the remaining directors present at the meeting.

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	2023/1/1 to 2023/12/31.	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"> ➤ The evaluation of board (functional committee) operation as a whole covers the following items: <ol style="list-style-type: none"> 1. Participation in the operation of the company 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control ➤ The self-evaluation of individual board members covers the following items: <ol style="list-style-type: none"> A. Directors' understanding of the company and awareness of their duties B. Participation in the operation of the company C. The director's professionalism and continuing education D. Internal control

- iv. The results of the 2023 internal performance evaluation are presented below:

Evaluation results	The Board of Directors mostly strongly agree with the 2023 evaluation metrics in their operations. Board members also perform their functions in providing guidance and supervision, fully engage in communication on issues proposed during Board Meetings and other relevant topics, and devote their expertise, forming an excellent Board Meeting culture. The Board of Directors is evaluated as excellent in overall, and this evaluation result was submitted to the first Board Meeting of 2024 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"> ● The Company's Board of Directors has held 8 meetings in 2023 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.
Information disclosure and improve information transparency.	<ul style="list-style-type: none"> ● 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.
Established a strong governance system and sound supervisory capabilities for the board of directors and strengthened management capabilities	<ul style="list-style-type: none"> ● 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 2024/3/13: The results of the 2023 evaluation were rated as "excellent".
To impart more knowledge on business operations and laws and regulations	<ul style="list-style-type: none"> ● the Company occasionally organizes external courses for directors and supervisors, as well as courses and training on securities laws and regulations. ● 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

(II) Status of Audit Committee

A total of 8 committee meetings (A) were held in the most recent year (2023); attendance records are presented below:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remarks
Independent Director	Chien-Jan Lee	8	0	100%	-
Independent Director	Tung-Hao Ho	8	0	100%	-
Independent Director	Cho-Lan Peng	8	0	100%	-

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:

Date of board meeting	Agendas	Recusal of directors due to conflict of interests	Reason for Recusal and Status of Participation in Voting Process
2023/03/22	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	Tung-Hao Ho	Committee member Tung-Hao Ho, who was in attendance during the meeting and serves as the Vice President of St. John's University, shall abstain from participating in the discussion and voting due to a conflict of interest, according to the Company Act. Except for the members who were recused from the discussion and voting in accordance with the law, all other committee members present had no objection and passed the proposal as it was proposed.

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"> (1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act. (2) Assessment of the effectiveness of the internal control system. (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. (4) Matters in which a director is an interested party. (5) Asset transactions or derivatives trading of a material nature. (6) Loans of funds, endorsements, or provision of guarantees of a material nature. (7) The offering, issuance, or private placement of equity-type securities. (8) The hiring or dismissal of a certified public accountant, or their compensation. (9) The appointment or discharge of a financial, accounting, or internal audit officer. (10) Annual and semi-annual financial reports. (11) Other material matters as may be required by this Corporation or by the competent authority.

- 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
2023/03/10	·Review of the 2022 Statement of Internal Control System. ·Internal audit reports.
2023/03/22	·N/A
2023/05/05	·Internal audit reports.
2023/08/04	·Internal audit reports.
2023/11/03	·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
2023/11/3	Planning Stage of Auditing- • Scope and timing of the 2023 audit.
2024/03/13	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 (2023.03.10)	(1) The Company's 2022 business report, financial statements, and consolidated financial statements.			
	(2) The Company's 2022 Self-Assessment and Statement of Internal Control System.			
	(3) The Company's 2022 proposal for distribution of earnings.			
	(4) Discussion on the Company's loaning of funds to subsidiary Hong Kong Unique Grand Limited.			
	(5) The Company's regular evaluation of the independence of CPAs.			
	(6) Proposal for the partial amendments to the Company's "Management Procedures for the Internal Processing of Important Information and Prevention of Insider Trading."			
	(7) 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.			
The 2nd session's 2nd board meeting (2023.03.22)	(1) 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.			

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 3rd board meeting (2023.05.05)	(1) Establishment of the "Sustainable Development Best Practice Principles."			
	(2) Discussion on the Company's loaning of funds to subsidiary Hong Kong Unique Grand Limited.			
The 2nd session's 4rd board meeting (2023.06.26)	(1) The Company's "ESG Committee Charter."			
The 2nd session's 5th board meeting (2023.08.04)	(1) The Company's extension of the period of endorsement and guarantee provided to the sub-subsidiary L&K Engineering Vietnam Co., Ltd.			
	(2) Change of the Company's CPAs in response to internal reassignments at the accounting firm.			
The 2nd session's 6th board meeting (2023.10.06)	(1) Proposal for the Company to participate in the follow-on public offering of common stock by its subsidiary "RSEA Engineering Corporation (privatized 2009)."			
The 2nd session's 7th board meeting (2023.11.03)	(1) The Company's 2024 Audit Plan.			
	(2) The Company's extension of period of endorsement and guarantee provided to subsidiary RSEA Engineering Corporation (privatized 2009).			
The 2nd session's 8th board meeting (2023.11.30)	(1) The Company's 2023 Cash Capital Increase and the Fourth Domestic Unsecured Convertible Bond Issue.			

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 8th board meeting (2023.11.30)	(2) Revision of the Company's "AA-029 Employee Stock Purchase Plan."		Committee Member Tung-Hao Ho proposed a revision to the current version of the comparison table of existing and amended provisions for the "AA-029 Employee Stock Purchase Plan," to include Section 3.0 Responsibilities of the Chairman: Approve the number of shares employees are eligible to subscribe to. Any portions of the plan that have not been adjusted shall also be noted.	The Company has revised the comparison table of existing and amended provisions to include a newly added Section 3.0 Responsibilities of the Chairman: Approve the number of shares employees are eligible to subscribe to.
The 2nd session's 1st board meeting (2024.03.13)	(1) The Company's 2023 business report, financial statements, and consolidated financial statements.			
	(2) The Company's 2023 Self-Assessment and Statement of Internal Control System.			
	(3) The Company's 2023 proposal for distribution of earnings.			
	(4) The Company's regular evaluation of the independence of CPAs.			
	(5) Change of the Company's chief auditor.			

(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 (www.lkeng.com.tw) 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.	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 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.	No significant difference.
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 43 for information on board diversity.</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	
(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, the Audit Committee, and the ESG Committee.	The Company may do so if needed, depending on the condition and size of its business in the future.
(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 2024/3/13: The results of the 2023 evaluation were rated as “excellent”.</p> <p>1. Aspects evaluated:</p> <p>*The evaluation of board (functional committee) operation as a whole covers the following items:</p> <p>A.Participation in the operation of the company;</p> <p>B.Improvement of the quality of the board of directors' decision making;</p> <p>C. Composition and structure of the board of directors;</p> <p>D.Election and continuing education of the directors; and</p> <p>E. Internal control.</p> <p>* The self-evaluation of individual board members</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?	V		<p>covers the following items:</p> <p>A. Directors' understanding of the company and awareness of their duties;</p> <p>B. Participation in the operation of the company;</p> <p>C. The director's professionalism and continuing education; and</p> <p>D. Internal control.</p> <p>2. Evaluation Period: 2023/1/1 to 2023/12/31.</p> <p>3. Evaluation results:</p> <p>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 2024 for the Board's reference.</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	
(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 2024/3/13 and passed.	No significant difference.
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.

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	
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		<ol style="list-style-type: none"> 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. 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.

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	
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 http://www.lkeng.com.tw .	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.
(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.

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>(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 to time to discuss market trends and price information, the Company frequently reviews its</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>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, customers, and suppliers; and emphasizes and</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>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&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 2023/8/21 to 2024/8/21. The Company has reported the status of insurance renewal to the Board of Directors on 2023/11/03.</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 10th Corporate Governance Evaluation results:

Item	Subject	Improvement Status
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.
3.20	Did the company attend or voluntarily hold investor conferences at least two times in the year being evaluated, and were the first and last investor conferences of the year held at least three months apart?	The company plans to hold investor conferences twice a year starting from this year.

In 2023, the Company established an ESG Committee to manage sustainability and also set up personnel for information security. In the future, we will continue to increase the disclosure of information in English based on the proportion of foreign shareholding in our shareholder structure.

(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 Page 39-41 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

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 4 committee meetings (A) were held in the most recent year (2023); attendance records are presented below:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Tung-Hao Ho	4	0	100%	
Member	Chien-Jan Lee	4	0	100%	
Member	Cho-Lan Peng	4	0	100%	
<p>Other matters that require reporting:</p> <ol style="list-style-type: none"> 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.
2023.03.10 The 4th Session (the 1st meeting)	1. Review and deliberation of the Company's proposal for distribution of employee and director remunerations in 2022.	Passed as proposed without objection from all Committee Members	None. The Company has submitted it to the Board for approval.
2023.06.26 The 4th Session (The 2nd meeting)	1. Discussion on the proposed appointment of the Company's new managers.	Passed as proposed without objection from all Committee Members	None. The Company has submitted it to the Board for approval.
2023.11.03 The 4th Session (the 3rd meeting)	1. Discussion, review and deliberation on the Company's proposal for adjustments to remunerations of managers and employees in 2023. 2. Review and deliberation of the Company's proposal for distribution of employee and director remunerations in 2023.	Passed as proposed without objection from all Committee Members	None. The Company has submitted it to the Board for approval.
2023.11.30 The 4th Session (the 4rd meeting)	1. Review and deliberation of the Company's "AA-029 Employee Stock Purchase Plan."	Passed as proposed without objection from all Committee Members	None. The Company has submitted it to the Board for approval.

(V) The Composition, Responsibilities, and Operation of the ESG Committee:

1. The ESG Committee aims to fulfill its corporate social responsibility and promote economic, environmental, and social advancement for sustainable development.

2. Responsibilities:

- (I). Develop the company's sustainability policies, systems, and relevant management guidelines.
- (II). Establish goals, strategies, and implementation plans for the company's sustainability, including sustainable governance, ethical management, environmental concerns, and social aspects.
- (III). Review, track, and revise the company's sustainability practices and their effectiveness, and report regularly to the Board of Directors.
- (IV). Keep track of issues of concern to all stakeholders and oversee communication plans.
- (V). Review risk management policies and related topics.

3. Composition

In 2022, the Board of L&WK Engineering approved the establishment of an ESG Committee. The "Sustainable Development Best Practice Principles" have been developed as the company's foundational regulation for promoting sustainable development. To demonstrate its commitment to achieving a net-zero climate, the ESG Committee, with the chairman of the Board as the highest responsible authority, aims to elevate the quality and efficiency of decision-making. The ESG Officer, serving as the commander-in-chief, explains and advances relevant policies to the Board of Directors within the defined scope of powers and responsibilities. The Implementation Team is divided into the Sustainable Strategy Group, the Environment Group, the Governance Group, the Social Group, and the Economic Group. Each group is headed by middle and upper-level managers and comprises committee members reporting to them.

4. ESG Committee Members

Identity	Name	Professional Qualifications and Experience
Convener and Special Assistant to the Chairman	Shu-Ming Hsu	<p>Professional Qualifications: Master's degree, Senior Executives Program, College of Law, National Chung Cheng University Ph.D., Department of Civil and Construction Engineering, National Taiwan University of Science and Technology Master of Political Science, National Taiwan University Master of Economics, National Taiwan University Experience/Current Position: Educational Advisory Board member, St. John's University Educational Advisory Board member and Adjunct Assistant Professor, Department of Civil Engineering, Tamkang University Ph.D. researcher, Center for Civil Engineering, Karlsruhe Institute of Technology, Germany Project Manager, Technical Manager, and Special Assistant to the President at Sinotech Engineering Consultants General Manager, PT Sinotech Engineering Indonesia</p> <p>Professional Certifications: International Engineer (Registration No: 20230184) APEC Engineer (Registration No : 20200279) Certificate of Arbitrator (Certificate No.: 2023 Tai-Ying-Zhong-Zi No. 0026)</p> <p>Current Positions in Professional Engineers Associations and Engineering Societies: Chairman, Sustainable Development Committee, Taiwan Professional Civil Engineers Association Deputy Chairman, Academic Committee, New Taipei City Professional Civil Engineers Association Supervisor, Rail Engineering Society of Taiwan</p>
Independent Director	Tung-Hao Ho	<p>Professional Qualifications: 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</p> <p>Experience/Current Position: Associate Professor of Aletheia University, Nanhua University, Taipei Medical University, Taipei City University of Science and Technology, National Taipei University of Nursing and Health Sciences, and China University of Technology 3rd and 4th Member, NICI Private Advisory Board, Executive Yuan Director, Legislator's Research Office Chairman, TWN Mcommerce & Technology Co., Ltd. Chairman, Zhuocheng Advanced Information Co., Ltd. Vice President, St. John's University</p>

Identity	Name	Professional Qualifications and Experience
Finance Supervisor and Acting Spokesperson	Shu-Chen Chen	Professional Qualifications: Listed Company CFO Training Completion Certificate, awarded by the Shenzhen Stock Exchange ISO 9001:2015/ISO 14001 2015/OHSAS 18001:2007 Internal Auditor Experience/Current Position: Vice President, L&K Engineering Co., Ltd. Supervisor, L&K Engineering (Chongqing) Co., Ltd. (now renamed RSEA Construction Engineering [Chongqing] Co., Ltd.) Senior Vice President, Person in Charge of Finance, and Board Director at L&K Engineering (Suzhou) Co., Ltd., and Chairman at Suzhou Xieyi Consulting and Management Co., Ltd.

5. Operations of the ESG Committee

(1)The Company's ESG Committee consists of 3 members.

(2)The term of this Committee: June 26, 2023, to August 8, 2024.

A total of 1 committee meeting (A) was held in the most recent year (2023). The qualifications and attendance of the committee members are as follows:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Shu-Ming Hsu	1	0	100%	
Member	Tung-Hao Ho	1	0	100%	
Member	Shu-Chen Chen	1	0	100%	

6. Resolutions of the ESG Committee:

	Discussing Items	Resolution	The Company's Response to the ESG Committee's Opinions
2023.08.04 First session (the 1st meeting)	1. The implementation status of the Company's 2022 Sustainability Report.	Following the chair's inquiry, the proposal was unanimously approved as proposed by all members in attendance.	None.


(V) Implementation of Sustainable Development, Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and Their Reasons

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		<p>1. In 2022, the Company formed the ESG Committee to spearhead sustainable development efforts, including one independent director to effectively advance our sustainability goals. Under this committee, the Company has established the Sustainable Strategy Group, the Environment Group, the Governance Group, the Social Group, and the Economic Group.</p> <p>The committee, convened by the ESG Officer, comprises groups each led by a leader responsible for liaison, coordination, organization, and the provision of relevant information to advance each matter and respond to material issues encountered by each function, all within their designated responsibilities.</p> <p>The ESG Committee convenes at least twice a year, with flexible adjustments made as necessary.</p> <p>2. The Board of Directors' supervision and responsibilities for sustainability include ensuring the development of sustainability policies in compliance with legal regulations, developing sustainability plans and related proposals, monitoring the implementation progress and results of these proposals, and overseeing the preparation of sustainability reports.</p> <p>3. Implementation status and resolutions that the ESG Committee reported to the Board of Directors in 2023 are as follows:</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													
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?			<table><tr><th>Date</th><th>Management Presentations</th></tr><tr><td>2023/03/10</td><td>The Company shall disclose its greenhouse gas (GHG) inventories and the verification schedule in accordance with the “Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies” launched by the Financial Supervisory Commission.</td></tr><tr><td>2023/08/04</td><td>1. In 2022, the UMC/Chase Sustainability Technology provided guidance for the Company’s GHG inventories, which are based in our Hsinchu office. The inventory process is currently underway. 2. The Company’s 2022 ESG Sustainability Report was completed in accordance with the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” released by the Taiwan Stock Exchange Corporation.</td></tr></table> <p>4.Supervision and management of the Board of Directors :</p> <table><tr><th>Date</th><th>Management Presentations</th></tr><tr><td>2023/03/10</td><td>Greenhouse gas (GHG) inventories and the verification schedule shall be disclosed in accordance with the “Sustainable Development Roadmap” launched by the Financial Supervisory Commission.</td></tr><tr><td>2023/08/04</td><td>1.Greenhouse gas inventory status in 2022 2.The Company’s 2022 ESG Sustainability Report was completed in accordance with the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” released by the Taiwan Stock Exchange Corporation.</td></tr></table>	Date	Management Presentations	2023/03/10	The Company shall disclose its greenhouse gas (GHG) inventories and the verification schedule in accordance with the “Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies” launched by the Financial Supervisory Commission.	2023/08/04	1. In 2022, the UMC/Chase Sustainability Technology provided guidance for the Company’s GHG inventories, which are based in our Hsinchu office. The inventory process is currently underway. 2. The Company’s 2022 ESG Sustainability Report was completed in accordance with the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” released by the Taiwan Stock Exchange Corporation.	Date	Management Presentations	2023/03/10	Greenhouse gas (GHG) inventories and the verification schedule shall be disclosed in accordance with the “Sustainable Development Roadmap” launched by the Financial Supervisory Commission.	2023/08/04	1.Greenhouse gas inventory status in 2022 2.The Company’s 2022 ESG Sustainability Report was completed in accordance with the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” released by the Taiwan Stock Exchange Corporation.	No significant difference
Date	Management Presentations															
2023/03/10	The Company shall disclose its greenhouse gas (GHG) inventories and the verification schedule in accordance with the “Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies” launched by the Financial Supervisory Commission.															
2023/08/04	1. In 2022, the UMC/Chase Sustainability Technology provided guidance for the Company’s GHG inventories, which are based in our Hsinchu office. The inventory process is currently underway. 2. The Company’s 2022 ESG Sustainability Report was completed in accordance with the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” released by the Taiwan Stock Exchange Corporation.															
Date	Management Presentations															
2023/03/10	Greenhouse gas (GHG) inventories and the verification schedule shall be disclosed in accordance with the “Sustainable Development Roadmap” launched by the Financial Supervisory Commission.															
2023/08/04	1.Greenhouse gas inventory status in 2022 2.The Company’s 2022 ESG Sustainability Report was completed in accordance with the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” released by the Taiwan Stock Exchange Corporation.															

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 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>1. The Company has formulated the “Corporate Governance Best Practice Principles” to serve as the guiding principles for risk management.</p> <p>2. To facilitate the company’s robust operation and sustainable development, and to establish a comprehensive risk management culture, the risk management policy is designed to define various mechanisms in line with the company’s overall operating policy, preventing potential losses within an acceptable risk range. Adapting to changes in the internal and external environment, continuous adjustments and improvements of best practices for risk management are made to protect the interests of employees, shareholders, partners, and customers, increase company value, and achieve optimal allocation of the company’s resources.</p> <p>In the risk management organization, the goal is to promote and implement the company’s comprehensive risk management practices, clearly understanding the operational risks the company faces to ensure the effectiveness of risk management. Risk management is coordinated and directed by the ESG Committee, which is responsible for promoting and implementing the risk management plan and periodically reporting the results.</p> <p>In view of the increasing emphasis on management issues and the company’s active efforts to address and control the risks that should be considered during the operation process, the Company requires the heads of each execution unit for risk management to assume responsibility for analyzing and monitoring relevant risks within their units, reasonably ensuring the effective execution of risk management mechanisms and procedures.</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		Summary	Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons						
	Yes	No								
II. 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?			<div></div> <p>3. Risk identification and response strategies are as follows:</p> <table><tr><th>Material Topics</th><th>Risk Assessment Item</th><th>Risk Management Strategy</th></tr><tr><td>Environment</td><td>Climate change</td><td>Support the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). Implement governance of climate-related risks and opportunities, and annually disclose work progress and results in the sustainability report in accordance with the TCFD-recommended framework.</td></tr></table>	Material Topics	Risk Assessment Item	Risk Management Strategy	Environment	Climate change	Support the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). Implement governance of climate-related risks and opportunities, and annually disclose work progress and results in the sustainability report in accordance with the TCFD-recommended framework.	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
Material Topics	Risk Assessment Item	Risk Management Strategy								
Environment	Climate change	Support the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). Implement governance of climate-related risks and opportunities, and annually disclose work progress and results in the sustainability report in accordance with the TCFD-recommended framework.								

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
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II. 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?				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
			Social	
			Occupational health and safety	
			Talent development	
			Employee rights and diversified development	
			Waste	

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 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?			<table><tr><td rowspan="4">Corporate governance</td><td>Information security and customer privacy</td><td>Follow the “Information Security Management Policy” to ensure that prompt response measures are taken in the event of emergencies, such as malicious attacks, destruction, or misuse, thereby minimizing potential damage that could adversely affect and jeopardize the Company’s business operations.</td></tr><tr><td>Compliance</td><td>Ensure that all company personnel and operations strictly comply with relevant laws and regulations, and proactively obtain regulations and standards established by government and related industry bodies.</td></tr><tr><td>Supplier management</td><td>Engage deeply with suppliers.</td></tr><tr><td>Economic performance</td><td>Sustained growth in revenue and net profit. Optimize corporate financial structure.</td></tr></table>	Corporate governance	Information security and customer privacy	Follow the “Information Security Management Policy” to ensure that prompt response measures are taken in the event of emergencies, such as malicious attacks, destruction, or misuse, thereby minimizing potential damage that could adversely affect and jeopardize the Company’s business operations.	Compliance	Ensure that all company personnel and operations strictly comply with relevant laws and regulations, and proactively obtain regulations and standards established by government and related industry bodies.	Supplier management	Engage deeply with suppliers.	Economic performance	Sustained growth in revenue and net profit. Optimize corporate financial structure.	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
Corporate governance	Information security and customer privacy	Follow the “Information Security Management Policy” to ensure that prompt response measures are taken in the event of emergencies, such as malicious attacks, destruction, or misuse, thereby minimizing potential damage that could adversely affect and jeopardize the Company’s business operations.											
	Compliance	Ensure that all company personnel and operations strictly comply with relevant laws and regulations, and proactively obtain regulations and standards established by government and related industry bodies.											
	Supplier management	Engage deeply with suppliers.											
	Economic performance	Sustained growth in revenue and net profit. Optimize corporate financial structure.											
III.Environmental issues													
(I) Does the Company establish proper environmental management systems based on the characteristics of its industries?	V		The Company has established an environmental management system in accordance with ISO 14001 and continuously passes third-party certification. SGS conducts our audits and certifies our compliance, issuing an ISO 14001 Quality Certificate valid from September 15, 2021-September 15, 2024. The Company performs a GHG inventory each year, track emission reductions, and transparently disclose the results in our Sustainability Report. For the latest updates, please visit our official website. <u>L&K Engineering Co., Ltd. (lkeng.com.tw)</u>	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 has installed recycling bins for resource classification and constantly reminds its employees to recycle resources, and reduce and reuse waste.</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> <p>4. To improve the efficiency of resource utilization, the Company has taken several measures, including replacing old appliances with energy-saving ones, fitting faucets with water-saving valves, and recycling overflow water from cooling towers into fire water tanks.</p> <p>5. To mitigate the environmental impact, the Company has promoted various action plans for reducing carbon emissions, with the hope that this initiative will encourage employees to change their mindsets, using this as a starting point to integrate these values into daily behaviors and ultimately transform them into habits.</p>	No significant difference
(III) Does the Company assess potential risks and opportunities arising from climate as they relate to its current and future business, and does it take corresponding measures to address them?	V		<p>The Company supports the FSB by implementing the four core elements outlined in the TCFD Recommendations: governance, strategy, risk management, and metrics and targets. Based on these, the Company has initiated governance efforts for managing climate-related risks and opportunities. We disclose this year's progress and achievements in accordance with the TCFD-recommended framework. Detailed insights into our climate-related risks and opportunities are disclosed in the "Climate Change" section of the Sustainability Report.</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																												
(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 carbon reduction, greenhouse gas and water consumption reduction or other waste management?	V		<p>The Company conducts GHG inventories based on operational control across three regional offices. The first inventory was conducted in 2022, and over the past two years, we have collected relevant data and implemented reduction plans. We established 2022 as the base year and set quantified management targets for each subsequent year. Starting in 2022, we provide annual updates on the measures taken to achieve these targets and their implementation status.</p> <p>The intensity target for the GHG inventory was set for an annual reduction of 1%, using 2022 as the base year. In 2023, the emissions were reduced by 2.9%, exceeding the established reduction target.</p> <table><tr><th>Item</th><th>2022</th><th>2023</th></tr><tr><td>Scope 1 – Fuel, paper, refrigerant(t CO2e)</td><td>416</td><td>362</td></tr><tr><td>Scope 2 – Electricity</td><td>335</td><td>353</td></tr><tr><td>Water consumption</td><td>576</td><td>551</td></tr><tr><td>Waste</td><td>24.7</td><td>26.0</td></tr><tr><td>Total carbon emissions</td><td>1,352</td><td>1,292</td></tr><tr><td>Revenue (NT\$ in millions)</td><td>10,805</td><td>29,101</td></tr><tr><td>Intensity (ton of CO2e per NT\$ million)</td><td>0.046</td><td>0.017</td></tr><tr><td>Reduction target 1%</td><td></td><td>Reduced by 63%</td></tr></table>	Item	2022	2023	Scope 1 – Fuel, paper, refrigerant(t CO2e)	416	362	Scope 2 – Electricity	335	353	Water consumption	576	551	Waste	24.7	26.0	Total carbon emissions	1,352	1,292	Revenue (NT\$ in millions)	10,805	29,101	Intensity (ton of CO2e per NT\$ million)	0.046	0.017	Reduction target 1%		Reduced by 63%	No significant difference
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	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 carbon reduction, greenhouse gas and water consumption reduction or other waste management?			<div>1. GHG emissions in the past two years are as follows: According to the definitions outlined in the “Guidelines for Greenhouse Gas Emission Inventory” established by the Ministry of Environment, Executive Yuan, the major energy consumption resulting in greenhouse gas emissions at the Company is covered in our inventory and is not considered to have a material impact. Specifically, mobile emission sources and paper, as detailed in Scope 1, account for 22% of the total emissions, while purchased electricity, as detailed in Scope 2, accounts for 67% of the total emissions. Based on this analysis, the carbon emissions from Scope 1 and Scope 2 are disclosed.</div> <table><tr><th>Year</th><th>Scope 1 Carbon emissions (metric tons of CO2e)</th><th>Change %</th></tr><tr><td>2022</td><td>416</td><td>Base year</td></tr><tr><td>2023</td><td>362</td><td>Reduced by 13%</td></tr></table>	Year	Scope 1 Carbon emissions (metric tons of CO2e)	Change %	2022	416	Base year	2023	362	Reduced by 13%	No significant difference
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Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons																		
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(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 carbon reduction, greenhouse gas and water consumption reduction or other waste management?			<p>Since 2022, the Company has furthered its waste reduction efforts by promoting reduced paper consumption on its internal website and installing waste paper recycling bins to encourage the reuse of the back side of paper. These efforts aim to strengthen awareness among all employees about paper conservation and waste reduction, and to foster a culture of green consciousness through daily self-management and environmental habits. The Company’s office paper consumption over the past two years is detailed as follows:</p> <table><tr><td>Year</td><td>Paper (metric tons)</td><td>Change %</td></tr><tr><td>2022</td><td>5.997</td><td>Base year</td></tr><tr><td>2023</td><td>2.236</td><td>Reduced by 62.7%</td></tr></table> <table><tr><td>Year</td><td>Scope 2 Carbon emissions (metric tons of CO2e)</td><td>Change %</td></tr><tr><td>2022</td><td>335</td><td>Base year</td></tr><tr><td>2023</td><td>353</td><td>Increased by 5.3%</td></tr></table>	Year	Paper (metric tons)	Change %	2022	5.997	Base year	2023	2.236	Reduced by 62.7%	Year	Scope 2 Carbon emissions (metric tons of CO2e)	Change %	2022	335	Base year	2023	353	Increased by 5.3%	No significant difference
Year	Paper (metric tons)	Change %																				
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Items Assessed		Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons																		
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(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 carbon reduction, greenhouse gas and water consumption reduction or other waste management?			<div>2. Water consumption over the past two years:</div> <table> <tr> <th>Year</th> <th>Total Water Consumption (cubic meters)</th> <th>Change %</th> </tr> <tr> <td>2022</td> <td>2,652</td> <td>Base year</td> </tr> <tr> <td>2023</td> <td>3,532</td> <td>Increased by 33%</td> </tr> </table> <div>To achieve water resource reuse, the Company has taken measures to recycle overflow water from cooling towers into fire water tanks. The Company is also in the process of planning and installing meters to record the flow rate.</div> <div>3. Waste generation over the past two years:</div> <table> <tr> <th>Year</th> <th>Waste (metric tons)</th> <th>Change %</th> </tr> <tr> <td>2022</td> <td>11.97</td> <td>Base year</td> </tr> <tr> <td>2023</td> <td>12.38</td> <td>Increased by 3.4%</td> </tr> </table> <div>The Company adopts a good-neighborly approach to enhance resource recycling efficiency.</div>	Year	Total Water Consumption (cubic meters)	Change %	2022	2,652	Base year	2023	3,532	Increased by 33%	Year	Waste (metric tons)	Change %	2022	11.97	Base year	2023	12.38	Increased by 3.4%	No significant difference
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Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
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		<p>In compliance with various labor laws, the Company organizes labor and national health insurance for its employees and contributes to their pensions to ensure employee rights. In addition to protecting employees' statutory labor rights, the Company also purchases group accident insurance, life insurance, and other commercial insurance policies for all its employees.</p> <p>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.</p> <p>The Company established the "Human Rights Policies and Management Measures" on August 6, 2020, which have been published on the Company's website to respect the guarantees established in human rights treaties.</p> <p>The governance system of the Company covers ethical standards, labor and human rights, health and safety, environmental management systems. Furthermore, an Employee Welfare Committee has been established to protect employee rights as well as their health and safety.</p>	No significant difference
(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>1. Employee Benefits: The Company has a diversified welfare system and comprehensive retirement regulations that comply with the law, detailed as follows: (1) In accordance with the Labor Standards Act, the Company has developed the "Work Rules" that cover remuneration, bonuses, working hours, paid time off, attendance, assessments, and other benefits. Please refer to the Labor Relations section for details on employee welfare. (2) 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. (3) 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. (4) According to our Articles of Incorporation, if the Company is profitable during the year, 3%-5% of the profits shall be allocated for employee remuneration. (5) The Company has established a reward system that includes performance assessments and employee remuneration. Operating profits are shared with employees based on their performance, so that employee salaries grow in line with the company.</p>	<p>No significant difference</p> <p>No significant difference</p>

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?	V		<p>Providing a safe and friendly workplace is a commitment and a fundamental guarantee that an enterprise offers to its employees. Therefore, creating a positive working environment, ensuring employee safety in the workplace, and promoting the physical and mental health of employees are primary responsibilities of any company. The Company incorporates relevant training into its routine operations. Through practical simulations of emergency situations, it builds employees' evacuation and response skills, ensuring they are well-prepared with adequate knowledge to reduce the risk of injuries. Additionally, the Company has established an Occupational Safety and Health Committee, as mandated by the Occupational Safety and Health Act, and consistently maintains certifications for the ISO 14001 Environmental Management Systems, the ISO 45001 Occupational Safety and Health Management System (valid from September 15, 2021, to September 15, 2024), and the CNS 45001 Taiwan Occupational Safety and Health Management System (valid from September 4, 2021, to September 4, 2024).</p> <p>The Company's professionals responsible for engineering safety conduct unscheduled visits to construction sites to inspect the working environment. These inspections entail the following:</p> <ol style="list-style-type: none"> (1) Improving the working environment, strengthening safeguards in engineering areas, and ensuring the use of appropriate personal protective equipment and safety signs to reduce the incidence of occupational accidents. (2) Personnel holding a certificate of qualification are required to take refresher training regularly to acquire relevant knowledge and skills. <p>The Company's initiatives to ensure a safe and healthy work environment include semi-annual environmental monitoring of CO2 emissions in the office space. The potential hazards in machine and equipment SOP are monitored, and education and training are provided to operating personnel. Occupational injuries are analyzed and discussed as per regulations and subsequently improved to avoid reoccurrence. The Company offers safety and health education training courses for newly hired employees. Quarterly meetings with the Occupational Safety and Health Committee are held to discuss environmental safety and health issues with unit supervisors and raise their awareness. 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. A breastfeeding room is provided for pregnant employees, and employees are given parental leave. The Company regularly monitors the working environment and conducts inspections of drinking water quality. Regular health check-ups for employees serve as reminders of their health status. Relevant events and courses are organized in the hope of improving employees' health. The Company ensures that fire drills are conducted every six months and fire inspections once a year.</p>	No significant difference

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	Yes	No	Summary																					
(IV) Has the Company established an effective career development training program for employees?	V		<p>The Company plans functional training for both managerial and non-managerial employees at all levels, tailored to their specific positions. The training includes newcomer training, professional training, and training for managers, among others, to help employees continuously learn and grow through diverse learning methods. Additionally, relevant personnel are assigned to participate in external professional training courses based on the training plans or needs proposed by their managers, further cultivating their key professional competencies. Employees may also take the initiative to request further education based on their duties or professional needs, and participate in legally compliant continuing education or qualification training courses to obtain relevant certificates or expertise to enhance their career development potential. In addition, during the performance assessment and promotion process, the Company considers employee performance status and actively encourages self-learning and the strengthening of professional competencies required for their positions. This aims to integrate personal, family, and work life, thereby creating a virtuous cycle that supports both the company’s talent cultivation and retention as well as the employees’ personal growth. The business performance or achievements of the Company shall be reflected appropriately in the employee remuneration policy to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainability.</p> <p>Training hours over the past three years:</p> <table><tr><th>Year</th><th>Number of Participant Instances</th><th>Total Hours</th><th>Average Hours</th></tr><tr><td>2020</td><td>1,350</td><td>5,598</td><td>14</td></tr><tr><td>2021</td><td>1,573</td><td>6,231</td><td>13</td></tr><tr><td>2022</td><td>1,020</td><td>5,959</td><td>12</td></tr><tr><td>2023</td><td>1,744</td><td>7,492</td><td>15</td></tr></table>	Year	Number of Participant Instances	Total Hours	Average Hours	2020	1,350	5,598	14	2021	1,573	6,231	13	2022	1,020	5,959	12	2023	1,744	7,492	15	No significant difference
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2022	1,020	5,959	12																					
2023	1,744	7,492	15																					
(V) Does the company comply with relevant laws and international standards in relation to customer health	V		<p>The Company specializes in engineering and offers services in business, design, construction, procurement, and technical consulting, among others. We ensure that we first enter into contracts that comply with legal and international standards with both domestic and foreign customers before proceeding with the provision of related services. Moreover, open channels of communication with suppliers are maintained to safeguard the reasonable interests and rights to which both parties are entitled on the basis of mutual trust and reciprocity. The Company complies with personal data protection and information security systems at both the management and technical levels to meet the</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	
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?			information security requirements of our customers, employees, and suppliers, while also protecting the privacy and property rights of all relevant stakeholders. In compliance with relevant laws, regulations, and international standards, the Company has developed a code of conduct and policies on customer health, safety, and privacy. Additionally, a dedicated section has been established on our website to provide a channel for queries, complaints, or suggestions. All communications are managed with adherence to the principle of integrity.	
(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". The Company stipulates suppliers' compliance obligations in its business contracts and communicates to suppliers the Company's supplier management system (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 contract signing, seeking unlawful gains, avoiding losses, or any other illicit intentions.</p> <p>The Company's contracts with major suppliers include clauses stating that the contract may be terminated or rescinded at any time if a supplier violates relevant laws or regulations and causes a significant impact on the environment or society.</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	
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		In 2023, the Company released its first sustainability report, titled “2022 Sustainability Report,” prepared in accordance with internationally accepted standards and guidelines. This report not only discloses the Company’s financial information but also its non-financial information. The “2022 Sustainability Report” has received assurance and guarantees from a third-party certification body, and both the Chinese and English versions are available on the company’s official website. The “2023 Sustainability Report” will be released in June 2024.	No significant difference
VI. Describe the deviations, if any, between actual practice and the sustainable development regulations, if the company has formulated such principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”: 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 sustainability efforts (e.g., systems and measures, and their implementation status with respect to environmental protection, community engagement, social contribution, social services, charity and welfare, consumer interests, human rights, safety and health, and other socially responsible activities): <ol style="list-style-type: none"> 1. Environmental protection: The Company implements environmental control and management in accordance with regulations. Please see information on environmental expenditures. 2. Human rights: All employees of the Company are provided with equal employment opportunities, irrespective of their sex, religion, race, or party affiliation. The Company fosters a positive workplace environment to protect its employees from discrimination and harassment. 3. Safety and health: The Company implements safety and health control and management in accordance with governmental laws and regulations. 4. Social services: The Company provides social services from time to time, improves its social engagement, contribution, and services, and actively participates in social rescue and relief activities, such as: <ol style="list-style-type: none"> (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 the Friends of the Police Association in Hsinchu County. (4) Making regular donations to St. John’s University. (5) Making regular donations to Xingang Fengtian Temple in Chiayi County. (6) The company has established long-term educational partnerships with St. John’s University, Cheng Shiu University, Tunghua 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. We trained 39 interns in 2022 and 36 interns in 2023, and establish a scholarship and renewal bonus system to encourage young students to pursue internships. This initiative is designed to prepare the Company by cultivating a talent reserve, thereby supporting our goal of sustainable 				

Items Assessed	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
business operations. In 2023, the Board of Directors approved, through a resolution, a partnership project with St. John’s University. This partnership includes a commitment to regular donations to support the school’s education. Starting this year, we have committed to an annual donation of NT\$20 million aimed at cultivating engineering talent for society, thus contributing to the development of human resources in the engineering industry and fulfilling our social responsibilities.				
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	2021/9/15-2024/9/15
	2. ISO 14001 Environmental Management System	SGS	ISO 14001:2015	2021/9/15-2024/9/15
	3. ISO 45001 Occupational Safety and Health Management System	SGS	ISO 45001:2018	2021/09/04-2024/09/04
	4. CNS 45001 Taiwan Occupational Safety and Health Management System	SGS	CNS:45001:2018	2021/09/04-2024/09/04

Status of Climate-Related Information Implementation

Item	Implementation Status
<p>1. Elaboration on the supervision and governance of climate-related risks and opportunities by the Board of Directors and management team.</p>	<p>To demonstrate its commitment to achieving a net-zero climate, the ESG Committee, with the chairman of the Board as the highest responsible authority, aims to elevate the quality and efficiency of decision-making. The ESG Officer, serving as the commander-in-chief, explains and advances relevant policies to the Board of Directors within the defined scope of powers and responsibilities. The Implementation Team under the ESG Committee is divided into the Sustainable Strategy Group, the Environment Group, the Governance Group, the Social Group, and the Economic Group. Each group manages specific business aspects related to their responsibilities. Progress and effectiveness of implementation are reported to the Board of Directors.</p> <p>Considering the importance of climate change to the company's expertise in sustainable development, we have been enhancing the practical experience and knowledge of our managers in areas related to climate change. To strengthen the management of the impact on finance from climate-related risks and opportunities, the Company has evaluated the potential impacts and likelihood of occurrence, developed corresponding action plans, implemented supervision measures, and reported these outcomes to the Board of Directors.</p>
<p>2. Elaboration on the impact of identified climate-related risks and opportunities on the company's business, strategies, and finances (short-, medium-, and long-term).</p>	<p>For 2023, the company has identified the following material issues concerning climate-related risks and opportunities in the short-, medium-, and long-term:</p> <ul style="list-style-type: none"> ♦Short-term risks: Information security threats, labor shortages, and rising raw material prices and labor costs ♦Short-term opportunities: Strengthen information security equipment and enhance technical collaboration with suppliers. ♦Medium-term risks: limited business scope, technology talent gaps, environmental impact, and occupational accidents ♦Medium-term opportunities: Expand the company's scale by extending its business reach into international markets, strengthen EPC capabilities to build a reputation for concrete achievements, encourage employees to pursue diversified learning opportunities throughout their careers, support government environmental initiatives and policies, and promote a workplace environment that presents zero occupational hazards and low risks, ensuring it is healthy and safe.

Item	Implementation Status
<p>2. Elaboration on the impact of identified climate-related risks and opportunities on the company's business, strategies, and finances (short-, medium-, and long-term).</p>	<ul style="list-style-type: none"> ♦Long-term risks: Core values and competitiveness ♦Long-term opportunities: Develop standardized operational procedures and adopt modular components and mechanical lifting techniques to reduce manpower required for construction sites and minimize risks. <p>Financial impact: Risk Concerns: The company could face potential financial risks related to increased operating costs, which may adversely affect revenue. Opportunities: These include strengthening system management, expanding technical capabilities, and increasing revenue.</p> <p>Strategy and business direction: The company is shifting its focus to specialize in green engineering projects, concentrating on the design of systems for energy conservation and carbon reduction for our customers. This transition is intended to enhance our reputation through proven achievements and to capitalize on new business opportunities, ultimately driving revenue growth.</p>
<p>3. Elaboration on the impact of extreme climate events and transition actions on finances.</p>	<p>Extreme climate: In a scenario where temperatures rise by 4°C, the impact of droughts, floods, rising average temperatures, rising sea levels, and strong typhoons on construction sites in low-lying areas has been analyzed and considered medium to low. The probability of these events causing financial losses is also considered medium to low.</p> <p>Transition actions: The company is shifting its focus to specialize in green engineering projects, enhancing the technical capability for energy conservation and carbon reduction. The financial impact of the cost increase resulting from the shift is considered to be medium to low.</p>
<p>4. Elaboration on how climate-related risk identification, assessment, and management processes are integrated into the overall risk management system.</p>	<p>The Company has established relevant management systems within the scope of its operating activities. The scope of risk coverage includes operational risks, legal compliance, and environmental factors. Considerations include environmental protection, social responsibility, and corporate governance. The Company identifies and evaluates the degree of impact and financial impact of climate risks and opportunities, develops short-, medium-, and long-term matrices and corresponding strategies, submits them to the Management Review Committee for review and approval, and oversees the effectiveness of their implementation.</p>

Item	Implementation Status
5. When using scenario analysis to assess resilience to climate change risks, it is required to explain the scenarios, parameters, assumptions, analysis factors, and major financial impacts involved.	Amidst the growing importance of climate change issues both domestically and internationally, the Company, which provides engineering services and does not engage in production or manufacturing, continuously stays informed on reports regarding climate change scenario analysis and related stress tests across various industries. In compliance with the regulatory requirements set by the competent authorities, we conduct our own stress tests. Despite variations in scenario analysis across industries, which involve selecting data sources, methodologies, and analyzing results, the outcomes are expected to directly influence our operational strategy goals and risk management policies, among other information. This enables us to simulate the impact factors for scenario analysis and assess the potential financial impacts.
6. If there is a transition plan in response to climate-related risk management, please describe the plan along with the indicators and targets used to identify and manage both physical and transition risks.	None.
7. If internal carbon pricing is used as a planning tool, it is required to explain the basis for price setting.	In planning. Considering the Ministry of Environment's plans to impose a carbon fee on major annual carbon emitters, the Company, which specializes in engineering services, will manage the procurement of materials such as steel, pipes, and cables, and will evaluate the financial impact once the carbon fee is determined. We will gradually plan and adjust our cost structure to effectively respond to carbon fee and carbon tax issues.

Item	Implementation Status																						
8. If any climate-related targets are established, it is required to provide information including the activities covered, the scope of GHG emissions, the planned time line, and annual progress compared to the targets. If carbon offsets or renewable energy certificates (RECs) are used to achieve relevant targets, it is required to detail the source and quantity of the carbon reduction credits used for offsets, or the number of RECs.	<p>The Company manages GHG emissions from its three regional offices under operational control, which include Scope 1 and Scope 2 emissions, as well as water and waste. Using 2022 as the base year, the target was to reduce carbon emissions by 1%. In 2023, the total emissions Decreased by 4%, meeting the reduction target. The company's energy consumption varies with the demand for projects under construction. By calculating carbon emission intensity based on revenue, the Company achieved a 63% reduction in total emissions in 2023.</p> <table><tr><th>Year</th><th>Target</th><th>2022</th><th>2023</th><th>Annual Change %</th></tr><tr><td>Carbon emissions (Unit: tons of CO2e)</td><td rowspan="2">≤ 1%</td><td>1,352</td><td>1,292</td><td>Reduced by 4%</td></tr><tr><td>Density</td><td>0.12</td><td>0.04</td><td>Reduced by 63%</td></tr></table> <p>The Company manages GHG emissions from its three regional offices under operational control, which include Scope 1 and Scope 2 emissions, as well as water and waste. Using 2022 as the base year, the target was to reduce carbon emissions by 1%. In 2023, the total emissions decreased by 1.2%, thereby meeting the reduction target.</p> <table><tr><th>Year</th><th>2022</th><th>2023</th><th>Annual Change %</th></tr><tr><td>Carbon emissions (Unit: tons of CO2e)</td><td>498</td><td>492</td><td>Reduced by 1.2%</td></tr></table>	Year	Target	2022	2023	Annual Change %	Carbon emissions (Unit: tons of CO2e)	≤ 1%	1,352	1,292	Reduced by 4%	Density	0.12	0.04	Reduced by 63%	Year	2022	2023	Annual Change %	Carbon emissions (Unit: tons of CO2e)	498	492	Reduced by 1.2%
Year	Target	2022	2023	Annual Change %																			
Carbon emissions (Unit: tons of CO2e)	≤ 1%	1,352	1,292	Reduced by 4%																			
Density		0.12	0.04	Reduced by 63%																			
Year	2022	2023	Annual Change %																				
Carbon emissions (Unit: tons of CO2e)	498	492	Reduced by 1.2%																				

Item	Implementation Status																																			
9. Inventory and assurance of GHG emissions, reduction targets, strategies, and tangible action plans (details provided in Appendices 1-1 and 1-2).	<div>1. See Appendix 1-1 below for details.</div> <div>2. The Company’s GHG inventory and reduction targets focus on the energy consumption from daily activities in the three regional offices under operational control, which includes Scope 1 and Scope 2 emissions, as well as water and waste. Using 2022 as the base year, the target was to reduce carbon emissions by 1%. In 2023, the Company achieved a 2.9% reduction in carbon emission intensity.</div> <table><tr><th>Year</th><th>2022</th><th>2023</th><th>Increase (+%) Decrease (-%)</th><th>Taget Achieved</th></tr><tr><td>Scope 1 – Fuel, paper, refrigerant</td><td>416</td><td>362</td><td>-13%</td><td>V</td></tr><tr><td>Scope 2 – Electricity</td><td>335</td><td>353</td><td>+5.4%</td><td>X</td></tr><tr><td>Water consumption</td><td>576</td><td>551</td><td>-4%</td><td>V</td></tr><tr><td>Waste</td><td>25</td><td>26</td><td>+4%</td><td>X</td></tr><tr><td>Total emissions</td><td>1352</td><td>1292</td><td>-4%</td><td></td></tr><tr><td>Intensity (ton of CO2e per NT\$ million)</td><td>0.12</td><td>0.04</td><td>-63%</td><td></td></tr></table>	Year	2022	2023	Increase (+%) Decrease (-%)	Taget Achieved	Scope 1 – Fuel, paper, refrigerant	416	362	-13%	V	Scope 2 – Electricity	335	353	+5.4%	X	Water consumption	576	551	-4%	V	Waste	25	26	+4%	X	Total emissions	1352	1292	-4%		Intensity (ton of CO2e per NT\$ million)	0.12	0.04	-63%	
Year	2022	2023	Increase (+%) Decrease (-%)	Taget Achieved																																
Scope 1 – Fuel, paper, refrigerant	416	362	-13%	V																																
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Item	Implementation Status		
9. Inventory and assurance of GHG emissions, reduction targets, strategies, and tangible action plans (details provided in Appendices 1-1 and 1-2).	3. Reduction strategies and actions		
	Item	Strategy	Action Plan
	Scope 1 – Fuel	1. Support government initiatives by cooperating with and advancing relevant energy reduction policies. 2. Starting with day-to-day office habits, we aim to initiate changes in employees' behaviors that will extend to their family lives and further influence the people and things around them. This strategy is developed to reduce carbon emissions and cultivate a community of shared well-being.	1. Reduce unnecessary movement 2. Procure energy-saving vehicles 3. Vehicle and ride sharing
	Scope 1 – Paper		Paperless documentation
	Scope 2 – Electricity		1. Use energy-saving products 2. Printers and other electronic devices automatically switch to power-saving mode after a period of inactivity. 3. Perform regular upkeep and daily maintenance on air conditioning units to ensure high-efficiency operation. 4. Blinds are installed on office windows to minimize the amount of solar heat admitted through the glass into the room, thereby reducing the power consumed by air conditioning.
	Water energy		1. Use energy-saving products 2. Install water-saving devices 3. Display slogans
	Waste		1. Garbage classification 2. Reduce disposable products through source reduction. 3. Shop for eco-friendly products 4. Create new reusable resources

Appendix 1-1 GHG Inventory and Assurance for the Last Two Years

<p>Company Profile</p> <p><input type="checkbox"/> Companies with capital of NT\$10 billion or more, or those in the steel or cement industries</p> <p><input type="checkbox"/> Companies with capital of NT\$5 billion or more but under NT\$10 billion</p> <p><input checked="" type="checkbox"/> Companies with capital under NT\$5 billion</p>	<p>According to the Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies, the minimum required disclosures are</p> <p><input checked="" type="checkbox"/> Inventory of the parent company as an individual entity</p> <p><input type="checkbox"/> Inventory of subsidiaries included in consolidated financial statements</p> <p><input type="checkbox"/> Assurance of the parent company as an individual entity</p> <p><input type="checkbox"/> Assurance of subsidiaries included in consolidated financial statements</p>
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Scope 1	Total emissions (metric tons of CO2e)	Intensity (metric tons of CO2e per NT\$ million) (Note 2)	Assurance Body	Assurance Details (Note 3)
L&K Engineering Co., Ltd.	362	0.0124	None	
Total	362	0.0124		
Scope 2	Total emissions (metric tons of CO2e)	Intensity (metric tons of CO2e per NT\$ million) (Note 2)	Assurance Body	Assurance Details (Note 3)
L&K Engineering Co., Ltd.	353	0.0121	None	
Total	353	0.0121		
Scope 3 (voluntary disclosure)	None	None		

(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?	V		“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		<ol style="list-style-type: none"> 1. 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. 2. An "Employee Mailbox" has been set up in the office area of the company to encourage employees to give feedback and report any violations and grievances to their direct supervisor or the Auditing Office. 3. Mailboxes for complaints are in place at all construction sites, providing channels for all stakeholders to whistle-blow. The engineering safety management team is authorized to accept and seal these complaints, submitting them to the head of the Auditing Office. 4. The company has set up a whistleblowing email: whistleblower@lkeng.com.tw. Emails sent to this address are automatically forwarded to the two responsible persons: the President and the Chief Auditor. 	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) 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		<p>1. Illegal activities or unethical conduct, as well as anonymous reports, can be submitted using the Company's reporting system - "Employee Mailbox," available internally and externally on its website. The President and the independent Chief Auditor are responsible for investigating the reports and ensuring the confidentiality of the identity of the whistleblower and the content of the filed report.</p> <p>2. After accepting reports, the President and the Chief Auditor shall handle the receipt process, classification, analysis, investigation, reporting, arbitration, and follow-up on improvement results in accordance with any applicable SOP.</p> <p>3. The mechanism for protecting whistleblowers ensures that the personal information and reporting documents provided by the whistleblower are kept confidential, unless otherwise required by law. We take appropriate protective measures in accordance the law to safeguard the</p>	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	
			<p>whistleblower from retaliation or unfair treatment.</p> <p>4. The investigation report shall be completed within two months of the case being established and submitted to the President for approval. If the investigation unit deems it necessary to extend the investigation period by the due date, it may provide justification and submit it to the President for approval.</p>	
(III) Does the Company adopt measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	V		<p>1. Grievance procedures and confidentiality mechanisms are provided in relevant regulations. The mechanism for protecting whistleblowers ensures that the personal information and reporting documents provided by the whistleblower are kept confidential, unless otherwise required by law. We take appropriate protective measures in accordance the law to safeguard the whistleblower from retaliation or unfair treatment.</p>	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 (http://www.lkeng.com.tw) 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.If the internal control policy was reviewed by an external accountant, the report of such review shall be disclosed: N/A.

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

Date: 2024/3/13

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 2023:

- 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 2023/12/31, 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 2024/3/13 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

(VIII) List the disciplinary actions, deficiencies, and improvements if there have been any actions imposed by law on the Company or its employees, or actions imposed by the Company on its employees for violations of internal control regulations. Also include the possible significant impacts these actions might have had on shareholder equity or securities prices from the most recent year up to the publication date of this Annual Report:

As of the publication date of this Annual Report, no actions have been imposed by law on the Company or its employees, nor have actions been imposed by the Company on its employees for violations of internal control regulations. Additionally, there have been no significant impacts on shareholder equity or securities prices as a result of such actions.

(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 2023 Shareholders' Meeting

Date	Name of Meeting	Major Resolutions
2023.06.26	Annual Shareholders' Meeting 2023	I. Matters for Acknowledgments i. Acknowledgment of the Company's 2022 business report and financial statements ii. Acknowledgment of the Company's 2022 proposal of distribution of earnings

(2) Implementation Status of the Major Resolutions of the 2023 Shareholders' Meeting

Items to be Resolved	Major Resolutions
1. Acknowledgment of the Company's 2022 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 2022 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\$789,393,252 in cash dividends for shareholders has been approved; the baseline date for dividend distribution was set to 2023/09/11, and distribution was completed on 2023/09/28.

(3) Major Resolutions of Board Meetings

Date	Name of Meeting	Major Resolutions	Resolution
2023.03.10	The 1st meeting of 2023	<ol style="list-style-type: none"> 1. The Company's 2022 business report, financial statements, and consolidated financial statements. 2. The Company's 2022 Self-Assessment and Statement of Internal Control System. 3. The Company's 2022 proposal for distribution of employee and director/supervisor remunerations. 4. The Company's 2022 proposal for distribution of earnings. 5. The time, venue, and agenda items of the 2023 Shareholders' Meeting. 6. Discussion on the Company's loaning of funds to subsidiary Hong Kong Unique Grand Limited. 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. 8. Discussion on the Company's application for credit extension with First Commercial Bank for business purpose. 9. Discussion on the Company's regular evaluation of the independence of CPAs. 10. Discussion on the partial amendments to the Company's "Management Procedures for the Internal Processing of Important Information and Prevention of Insider Trading." 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. 	<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
2023.03.22	The 2st meeting of 2023	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.	<p>◎ Independent Director:No opinions at this meeting.</p> <p>◎ Passed as proposed without objection from directors present in the meeting.</p>
2023.05.05	The 3rd meeting of 2023	1. Discussion on the Company's establishment of the "Sustainable Development Best Practice Principles" 2. Discussion on the Company's loaning of funds to subsidiary Hong Kong Unique Grand Limited. 3. Discussion on the Company's application for credit extension with various financial institutions for business purpose. 4. Discussion on the date, venue, format of running the meeting, and agenda items of the Company's 2023 General Meeting.	<p>◎ Independent Director:No opinions at this meeting.</p> <p>◎ Passed as proposed without objection from directors present in the meeting.</p>
2023.06.26	The 4th meeting of 2023	1. The baseline date and date for the 2022 distribution of earnings as cash and stock. 2. Discussion on the proposed appointment by the Company of the Company's new managers. 3. Discussion on the establishment of the Company's first ESG Committee and appointment of its members. 4. Discussion on the proposal for formulating the Company's "ESG Committee Charter." 5. Discussion on the Company's application for credit extension with Mega International Commercial Bank for business purpose.	<p>◎ Independent Director:No opinions at this meeting.</p> <p>◎ Passed as proposed without objection from directors present in the meeting.</p>
2023.08.04	The 5th meeting of 2023	1. Discussion on the Company's extension of the period of endorsement and guarantee provided to the sub-subsidiary L&K Engineering (Vietnam) Co., Ltd. 2. Discussion on the Company's application for credit extension with various financial institutions for business purpose. 3. Discussion on the change of the Company's CPAs in response to internal reassignments at the accounting firm.	<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
2023.10.06	The 6th meeting of 2023	1. Discussion on the proposal for the Company to participate in the follow-on public offering of common stock by its subsidiary “RSEA Engineering Corporation (privatized 2009).”	◎ Independent Director: No opinions at this meeting. ◎ Passed as proposed without objection from directors present in the meeting.
2023.11.03	The 7th meeting of 2023	1. Discussion on the Company’s 2024 Business Plan. 2. Discussion on the Company’s 2024 Audit Plan. 3. Discussion on the Company’s extension of period of endorsement and guarantee provided to subsidiary RSEA Engineering Corporation (privatized 2009). 4. Discussion on the Company’s application for credit extension with various financial institutions for business purpose. 5. Discussion on changes to the Company’s 2023 remuneration for managers. 6. Discussion on the Company’s 2022 remuneration distribution proposal for managers and employees.	◎ Independent Director: No opinions at this meeting. ◎ Passed as proposed without objection from directors present in the meeting.
2023.11.30	The 8th meeting of 2023	1. Discussion on the proposal by the Company’s reinvested subsidiary, Hong Kong Unique Grand Limited (hereinafter referred to as “Unique Grand”), to repay the principal and interest of a loan close to maturity through borrowing from Taiwan Shen Shen Investment Co., Ltd. (hereinafter referred to as “Shen Shen”). 2. The Company’s 2023 Cash Capital Increase and the Fourth Domestic Unsecured Convertible Bond Issue. 3. Discussion on the revision of the Company’s “AA-029 Employee Stock Purchase Plan.”	◎ Independent Director: No opinions at this meeting. ◎ Passed as proposed without objection from directors present in the meeting.
2024.01.17	The 1st meeting of 2024	1. Discussion on the allocation of shares that managers can subscribe to in the Company’s 2023 cash capital increase.	◎ Independent Director: No opinions at this meeting. ◎ Passed as proposed without objection from directors present in the meeting.

Date	Name of Meeting	Major Resolutions	Resolution
2024.03.13	The 2st meeting of 2024	<ol style="list-style-type: none"> 1. The Company's 2023 business report, financial statements, and consolidated financial statements. 2. The Company's 2023 Self-Assessment and Statement of Internal Control System. 3. The Company's 2023 proposal for distribution of employee and director/supervisor remunerations. 4. The Company's 2023 proposal for distribution of earnings. 5. The Company's regular evaluation of the independence of CPAs 6. Discussion on partial amendments to the Company's "Articles of Incorporation". 7. Discussion on the Company's election of all directors and independent directors. 8. Discussion on matters pertaining to the shareholder proposals and nomination of director candidates for the 2024 General Meeting. 9. Discussion on the review of the Company's nominated director and independent director candidates and their qualifications. 10. Discussion on the removal of the non-compete clause for the Company's newly elected directors. 11. Discussion on the change of the Company's audit manager. 12. The time, venue, and agenda items of the 2024 Shareholders' Meeting. 13. Discussion on the Company's application for credit extension with Hua Nan Bank for business purpose. 	<p>◎ Independent Director: No opinions at this meeting.</p> <p>◎ Passed as proposed without objection from directors present in the meeting.</p>
2024.04.09	The 3st meeting of 2024	<ol style="list-style-type: none"> 1. Discussion on the proposal for the Company to participate in the follow-on public offering of common stock by its subsidiary "RSEA Engineering Corporation (privatized 2009)." 2. Discussion on partial amendments to the Company's "Articles of Incorporation." 	<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
2024.05.10	The 4st meeting of 2024	1. Discussion on the amendments to the Company's "CW100 Payroll and Personnel Cycle."	<input checked="" type="radio"/> Independent Director:No opinions at this meeting. <input type="radio"/> Passed as proposed without objection from directors present in the meeting.

(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: N/A.

- (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
Chief Auditor	Fang-Man Peng	2017/8/4	2024/04/01	Internal job rotation

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	2023.01.01~2023.06.30	\$3,200	\$180	\$3,380	
	Chih-Jou Tai					
	Tseng-Kuo Huang	2023.06.30~2023.12.31				
	Jung Hua Chen					

Details of Information Regarding CPA Non-Audit Fee

Unit: NT\$ 1,000

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

(I) Regarding the former CPA

(1) Regarding the former CPA				
Date of Replacement	June 30, 2023			
Date of and reason for replacement	The accounting firm underwent internal management adjustment, in which CPAs Tseng-Kuo Huang and Chih-Jou Tai were replaced by CPAs Tseng-Kuo Huang and Jung Hua Chen.			
Whether it was the CPA that voluntarily ended the engagement or declined further engagement	Reason for Service Termination \ Party		CPA	Principal
	Service voluntarily terminated by			
	Service no longer accepted (continued) by		V	
The opinion and reasons for issuing an audit report expressing other than an unqualified opinion in the recent two years	None			
Disagreements with the company	Yes		Accounting principles or practices	
			Disclosure of financial report	
			Auditing scope or procedure	
			Others	
	None	V		
	Description			
Other disclosures (Matters that shall be disclosed in Article 10, Subparagraph 6, Item 1, Points 4 to 7 of these Guidelines)	None			

(II) Regarding the succeeding CPA

Firm Name	L.H. Chen & Co., CPAs
Name of Accountant	Tseng-Kuo Huang, Jung Hua Chen
Date of Engagement	June 30, 2023
Inquiries and results relating to the accounting handling methods or accounting principles of certain transactions, or any opinions likely issued in the financial reports prior to engagement	None
Written disagreements from the succeeding CPA against the opinions made by the former CPA	None

- (III) The reply letters on Article 10, Subparagraph 6, Item 1, and Item 2, Point 3, of these Guidelines from the previous 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	2023		Up to end of 2024/5/31	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Director	Shen Shen Investment Co., Ltd.	-	-	592,313	-
Chairman	Chu-Shiang Yao	-	-	157,864	-
Director	White Young Investment Co., Ltd. Representative: Chih-Hsun Yao	-	-	341,543	-
Director	Xun Huei Investment Co., Ltd. Representative: Chung-Cheng Lo	-	-	278,701	-
Director	Wei Ze Investment Co., Ltd. Representative: Bor-Jen Chen	-	-	219,344	-
Director	Tze-Hung Wang	-	-	46,179	-
Independent Director	Chien-Jan Lee	-	-	-	-
Independent Director	Tung-Hao Ho	-	-	-	-
Independent Director	Cho-Lan Peng	-	-	-	-
President	Hsiao-Ling Chiang	-	-	4,273	-

Title	Name	2023		Up to end of 2024/5/31	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Executive Vice President	Min-Kui Hsu	-	-	15,000	-
Vice President	Kuei-Yao, Yeh	-	-	10,000	-
Vice President	Ying-Te Liu	-	-	3,273	-
Finance Supervisor	Shu-Chen Chen	-	-	21,074	-
Project Division Manager	Chih-Hsun Yao	-	-	37,416	-
Corporate Governance Officer	Shu-Ling Ko	(12,000)	-	39	-
Accounting Supervisor	Ya-Lin Chan	-	-	1,000	-
Chief Auditor	Fang-Man Peng(Note1)	-	-	2,000	-
Chief Auditor	Nu-Chen Feng(Note2)	-	-	-	-
ESG officer	Shu-Ming Hsu	-	-	2,000	-

Note1. Fang-Man Peng was discharged from post on 2024/4/1.

Note2. Nu-Chen Feng was appointed from post on 2024/4/1.

(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:

2024/5/31

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.	24,447,835	10.49%	-	-	-	-	White Young Investment Co., Ltd. Xun Huei Investment Co., Ltd. Wei Ze Investment Co., Ltd. Shen Huei Investment Co., Ltd. Chu-Shiang Yao	The chairpersons are in a spousal relationship. The chairpersons are in a spousal relationship. The chairpersons are relatives within the second degree of kinship The chairpersons are in a spousal relationship. Representative of Juristic person director	- - - - -
Shen Shen Investment Co., Ltd. (Representative: Chu-Shiang Yao)	6,515,877	2.80%	3,286,399	1.41%	-	-	Shen Shen Investment Co., Ltd. White Young Investment Co., Ltd. Xun Huei Investment Co., Ltd. Wei Ze Investment Co., Ltd. Shen Huei Investment Co., Ltd.	Representative of Juristic person director The chairpersons are in a spousal relationship. The chairpersons are in a spousal relationship. The chairpersons are relatives within the second degree of kinship The chairpersons are in a spousal relationship.	- - - - -
Yunta Taiwan Value High Dividend ETF, under the custody of Hua Nan Commercial Bank	16,433,000	7.05%	-	-	-	-	-	-	-

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	
White Young Investment Co., Ltd.	14,097,244	6.05%	-	-	-	-	Shen Shen Investment Co., Ltd. Xun Huei Investment Co., Ltd. Wei Ze Investment Co., Ltd. Shen Huei Investment Co., Ltd. Chu-Shiang Yao	The chairpersons are in a spousal relationship. Same chairperson The chairpersons are relatives within the second degree of kinship The chairpersons are in a spousal relationship. Representative of Juristic person director	- - - - -
White Young Investment Co., Ltd. (Representative: Yu-Hua Chao)	3,286,399	1.41%	6,515,877	2.80%	-	-	Shen Shen Investment Co., Ltd. Xun Huei Investment Co., Ltd. Wei Ze Investment Co., Ltd. Shen Huei Investment Co., Ltd. Chu-Shiang Yao	The chairpersons are in a spousal relationship. Same chairperson The chairpersons are relatives within the second degree of kinship Same chairperson The chairpersons are in a spousal relationship.	- - - - -
Xun Huei Investment Co., Ltd.	11,503,464	4.94%	-	-	-	-	Shen Shen Investment Co., Ltd. White Young Investment Co., Ltd. Wei Ze Investment Co., Ltd. Shen Huei Investment Co., Ltd. Chu-Shiang Yao	The chairpersons are in a spousal relationship. Same chairperson The chairpersons are relatives within the second degree of kinship Same chairperson The chairpersons are in a spousal relationship.	- - - - -

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	
Xun Hwei Investment Co., Ltd. (Representative: Yu-Hua Chao)	3,286,399	1.41%	6,515,877	2.80%	-	-	Shen Shen Investment Co., Ltd.	The chairpersons are in a spousal relationship.	-
							White Young Investment Co., Ltd.	Same chairperson	-
							Wei Ze Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							Shen Hwei Investment Co., Ltd.	Same chairperson	-
							Chu-Shiang Yao	The chairpersons are in a spousal relationship.	-
Wei Ze Investment Co., Ltd.	9,053,483	3.89%	-	-	-	-	Shen Shen Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							White Young Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							Xun Hwei Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							Shen Hwei Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							Chu-Shiang Yao	The chairpersons are relatives within the second degree of kinship	-

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	
Wei Ze Investment Co., Ltd. (Representative: Chih-Hsun Yao)	940,256	0.40%	9,571	-	-	-	Shen Shen Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							White Young Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							Xun Huei Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							Shen Huei Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							Chu-Shiang Yao	The chairpersons are relatives within the second degree of kinship	-
Investment account of Morgan Stanley & Co International PLC, under the custody of HSBC	7,439,129	3.19%	-	-	-	-	-	-	-
Citibank Taiwan as custodian of Capital Union Bank Ltd. Investment Account	7,168,299	3.08%	-	-	-	-	-	-	-
Chu-Shiang Yao	6,515,877	2.80%	3,286,399	1.41%	-	-	Shen Shen Investment Co., Ltd.	Representative of Juristic person director	-
							White Young Investment Co., Ltd.	The chairpersons are in a spousal relationship.	-
							Xun Huei Investment Co., Ltd.	The chairpersons are in a spousal relationship.	-
							Wei Ze Investment Co., Ltd.	The chairpersons are relatives within the second degree of kinship	-
							Shen Huei Investment Co., Ltd.	The chairpersons are in a spousal relationship.	-

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	2.61%	-	-	-	-	-	-	-
Shen Huei Investment Co., Ltd.	5,960,215	2.56%	-	-	-	-	Shen Shen Investment Co., Ltd. White Young Investment Co., Ltd. Xun Huei Investment Co., Ltd. Wei Ze Investment Co., Ltd. Chu-Shiang Yao	The chairpersons are in a spousal relationship. Same chairperson Same chairperson The chairpersons are relatives within the second degree of kinship The chairpersons are in a spousal relationship.	- - - - -
Shen Huei Investment Co., Ltd. (Representative: Yu-Hua Chao)	3,286,399	1.41%	6,515,877	2.80%	-	-	Shen Shen Investment Co., Ltd. White Young Investment Co., Ltd. Xun Huei Investment Co., Ltd. Wei Ze Investment Co., Ltd. Chu-Shiang Yao	The chairpersons are in a spousal relationship. Same chairperson Same chairperson The chairpersons are relatives within the second degree of kinship The chairpersons are in a spousal relationship.	- - - - -

- 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:

2023/12/31

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%	1,600	0.75%	116,800	54.74%
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	316,141	84.79%	8,705	2.33%	324,846	87.13%
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.

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 2024/5/31	10	350,000	3,500,000	232,955	2,329,553	-	-	-

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	232,955	—	232,955	117,045	350,000	Shares of listed company

3. Shelf registration: None.

(II) Shareholder Structure

2024/5/31

Shareholder Structure Quantity	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions & corporate persons	Total
Number of Shareholders	0	3	79	20,576	228	20,886
Number of shares held	0	612,798	85,660,804	81,867,080	64,814,620	232,955,302
%	0.00%	0.26%	36.78%	35.14%	27.82%	100.00%

(III) Diffusion of Ownership

2024/5/31

Shareholder Ownership	Number of Shareholders	Number of shares held	%
1-999	8,050	1,091,927	0.47%
1,000-5,000	10,507	18,135,845	7.79%
5,001-10,000	1,101	7,777,621	3.34%
10,001-15,000	402	4,838,630	2.08%
15,001-20,000	206	3,622,459	1.56%
20,001-30,000	194	4,712,790	2.02%
30,001-40,000	92	3,163,400	1.36%
40,001-50,000	57	2,567,204	1.10%
50,001-100,000	136	9,628,134	4.13%
100,001-200,000	56	7,928,597	3.40%
200,001-400,000	31	8,852,545	3.80%
400,001-600,000	17	8,723,871	3.74%
600,001-800,000	3	1,912,362	0.82%
800,001-1,000,000	7	6,361,361	2.73%
1,000,001 or more	27	143,638,556	61.66%
Total	20,886	232,955,302	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.

2024/5/31

Name of Major Shareholder	Share	Number of shares held	%
Shen Shen Investment Co., Ltd.		24,447,835	10.49%
Yuanta Taiwan Value High Dividend ETF, under the custody of Hua Nan Commercial Bank		16,433,000	7.05%
White Young Investment Co., Ltd.		14,097,244	6.05%
Xun Huei Investment Co., Ltd.		11,503,464	4.94%
Wei Ze Investment Co., Ltd.		9,053,483	3.89%
Investment account of Morgan Stanley & Co International PLC, under the custody of HSBC		7,439,129	3.19%
Citibank Taiwan as custodian of Capital Union Bank Ltd. Investment Account		7,168,299	3.08%
Chu-Shiang Yao		6,515,877	2.80%
The Dunhua North Branch of Standard Chartered International Commercial Bank as custodian of KGI Capital Asia Limited Investment Account		6,085,911	2.61%
Shen Huei Investment Co., Ltd.		5,960,215	2.56%

- (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		2022	2023	As of 2024/3/31 (Note 8)
Market Price per Share (Note 1)	Highest	39.50	173.00	224.50
	Lowest	28.20	36.60	155.50
	Average	31.50	81.50	181.80
Net Worth per Share (Note 2)	Before Distribution	38.55	48.46	55.90
	After Distribution	35.05	-	-
Earnings per Share (Note 3)	Weighted Average No. of Shares	225,540,929	225,540,929	232,540,929
	Earnings per Share	4.43	12.81	4.10
Per Share Dividend	Cash Dividend	3.50	9.00	-
	Stock Dividend	Earnings Distribution	-	-
		Capital Distribution	-	-
	Accumulated Undistributed Dividend (Note 4)		-	-
Return on Investment Analysis	Price/Earnings Ratio (Note 5)		7.11	6.36
	Price/Dividend Ratio (Note 6)		9.00	-
	Cash Dividend Yield (Note 7)		11.11	-

(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

A cash dividend of NT\$2,092,868,361 is proposed in this earnings distribution proposal. The calculation is based on 232,540,929 shares outstanding as of March 13, 2024, which includes an additional 7,000,000 shares issued on March 13, 2024, the record date for the Follow-on Public Offering (FPO). This equates to a dividend of NT\$9 per share. If future events such as the conversion of convertible bonds into common stock, the repurchase of the Company's shares, or the transfer or cancellation of treasury stock affect the shareholders' per-share dividend payout ratio to the extent that the ratio changes, it is proposed to authorize the Chairman to adjust the payout ratio according to the actual number of shares outstanding on the ex-dividend date.

- (VII) Impact upon Business Performance and EPS Resulting from Non-Remunerative Share Allotment Made at the Recent Shareholders' Meeting: N/A.
- (VIII) Remuneration of employees and directors:
1. 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 140 of this Annual Report.
 2. 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:
 - (1). 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\$153,169,368 in cash.
 - (2). Director remuneration distributed in the form of cash or stock - NT\$76,584,684 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\$53,839,223	NT\$53,839,223
Director remuneration	NT\$26,919,612	NT\$26,919,612

(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:

(I) Outstanding corporate bonds

Corporate Bond Type	The fourth domestic unsecured convertible bond
Issue/Processing Date	January 25, 2024
Denomination	NT\$100,000 per unit (consisting of 1,000 shares)
Issuing and Trading Location	N/A
Issue Price	Issued at 100% of par value
Amount	500,000,000
Interest Rate	Coupon (annual interest rate) at 0%
Tenor	3 years; maturity date: January 25, 2027
Guarantor	N/A
Trustee	Hua Nan Commercial Bank Ltd.
Underwriter	President Securities Corporation
Certifying Lawyer	N/A
CPA	N/A
Repayment Method	In accordance with Article 6 of the Procedure for Issuing and Converting the Fourth Unsecured Convertible Bonds in 2024, as formulated by the Company, the bond's par value will be made in a bullet repayment in cash at maturity, except under the following circumstances: bondholders convert their corporate bonds into the Company's common stock under Article 10 thereof, exercise the right of resale under Article 18 thereof, the Company redeems the bonds early under Article 17 thereof, or the Company repurchases and cancels the bonds from the Taipei Exchange (TPEX).
Outstanding Principal	429,100,000
Redemption or Early Repayment Clause	Please refer to the Procedure for Issuing and Converting the Fourth Domestic Unsecured Convertible Bonds in 2024, as formulated by the Company
Restrictions	Please refer to the aforementioned procedure for bond issuance and conversion for details
Credit Rating Agency Name, Rating Date, and Corporate Bond Rating Results	N/A

Other Rights of Bondholders	Amount of Converted, Exchanged, or Subscribed Common Shares, GDRs, or Other Securities as of the Date of Annual Report Publication	After the issuance of the corporate bonds, the cumulative amount of conversion rights exercised as of the Annual Report's publication date is NT\$70,900,000.
	Issuance and Conversion (Exchange or Stock Subscription) Procedure	Please refer to the Procedure for Issuing and Converting the Fourth Domestic Unsecured Convertible Bonds in 2024, as formulated by the Company
Issuance and Conversion, Exchange, or Subscription Procedures, Possibility of Dilution of Equity under the Terms and Conditions of Issuance, and Effect on Existing Shareholders' Equity		Under the current conversion price, if all outstanding corporate bonds are fully converted into common shares, the Company would need to issue an additional 2,507,890 common shares, which would result in a capital-based growth rate of 1.08%. The impact on the existing shareholders' equity would be minimal.
Custodian's Name		N/A

(II) Convertible bond issuance

Corporate Bond Type		The fourth domestic unsecured convertible bond
Year		As of March 31, 2024
Market Price of Convertible Bonds	Highest	141.00
	Lowest	110.00
	Average	121.57
Conversion price		172.50
Date of issuance (processing) and conversion price at issuance		Date of issuance: January 30, 2024 From the record date for the FPO, the conversion price at issuance has been adjusted to: NT\$171.1 per share
Method of fulfilling conversion obligations		Issuance of new shares

(III) Exchangeable bond issuance None.

(IV) Shelf registration for corporate bond issuance None.

(V) Corporate bonds with equity warrants None.

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

(I) Plan details

1. Total funds required for the plan: NT\$1,305,000,000.
2. Source of funds:
 - (1) Follow-on public offering of 7,000,000 common stock shares, with a par value of NT\$10 per share and a price of NT\$115 per share. Based on this, it is expected to raise NT\$805,000,000.
 - (2) The fourth domestic unsecured convertible bond issues 5,000 units (each unit consisting of 1,000 shares), with a par value of NT\$100,000 per unit. Issued at 100% of par value, with a 0% coupon and a term of 3 years, it is expected to raise NT\$500,00,000.
 - (3) This plan intends to be financially supported by a follow-on public offering of common stock and the fourth domestic unsecured convertible bond issue. If the number of shares or the actual issue price differs from the provisional price due to market changes, leading to insufficient funds, the amount to replenish working capital will be decreased. However, if more funds are raised than planned, the excess will be used to replenish working capital.
3. Planned item and estimated fund utilization schedule:

Unit: NT\$ 1,000

Planned Item	Estimated Completion Date	Total Required Funds	Estimated Fund Utilization Schedule			
			2024			
			First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Replenishment of working capital	First Quarter of 2024	1,305,000	1,305,000	-	-	-
Total		1,305,000	1,305,000	-	-	-

(II) Implementation Status

1. The Company primarily generates its revenue from undertaking projects such as high-tech cleanroom and process plumbing projects, and public construction. For collections policy, considering that large projects like MRT construction can last over five years, and other projects such as cleanrooms, public projects, plant projects, and private construction projects usually last more than one year, project revenue is recognized using the percentage of completion method in line with IFRS 15 “Revenue from Contracts with Customers.” Actual collections are based on the transaction terms outlined in each project contract with the customer. There may be a small prepayment in the early stage. The remaining amount can only be requested from the owner after each stage of the project is inspected and accepted. Once the entire project is formally inspected and accepted, the final payment can be collected, and the warranty deposit will be paid, generally within 30 to 90 days after the acceptance of the cost estimate. For the payment policy regarding materials, equipment procurement, and subcontracting for the projects undertaken by the Company, a deposit of 10% to 35% is typically paid upfront. Upon delivery, 55% to 80% is paid, and a final payment of 10% is made upon inspection and acceptance, with payments made 30 to 120 days after monthly invoicing.

In the first quarter of 2024, the projects undertaken by the Company entered a construction peak, creating a particularly dire need for working capital. To effectively address the differences in the timing of project fee collections and payment, replenishing working capital ensures the Company has sufficient liquidity to meet various funding requirements. In doing so, it not only makes up for the gap caused by the mismatch in the timing of project fee collections and payment but also provides robust financial support for smoothly advancing project progress. With sufficient funds in place, projects can progress as scheduled, meeting the planned construction timelines and quality standards.

Unit: NT\$ 1,000

Planned Item	Implementation Status		First Quarter of 2024	Progress Status: Ahead or Behind Schedule, Causes, and Improvement Plan
Replenishment of working capital	Expenditure	Estimated	1,305,000	The replenished working capital was implemented in the first quarter of 2024 to maintain operations in response to the payment schedule during the construction peak.
		Actual	1,305,000	
	Implementation progress	Estimated	100%	
		Actual	100%	

The Company raised NT\$1,305,000,000 this time to replenish its working capital. This is due to the fact that, in recent years, with the Company's growing performance, its working capital level has gradually decreased and its capital turnover has faced challenges, resulting in a dilemma despite the business growth. The project contracts signed in the past two years will further create a funding gap when investing in these projects in the future. Therefore, the current securities offering and issue are intended to replenish working capital, with the goal of increasing it and improving turnover capacity in the short term, and bridging the funding gap in a timely manner. Overall, the replenishment brings positive benefits for the Company's operational development and maintenance of industrial competitiveness, and effectively improves capital turnover in a timely manner.

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	20.22%
Process plumbing projects	3.35%
M&E projects	4.32%
Others (including turnkey projects)	72.11%

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.

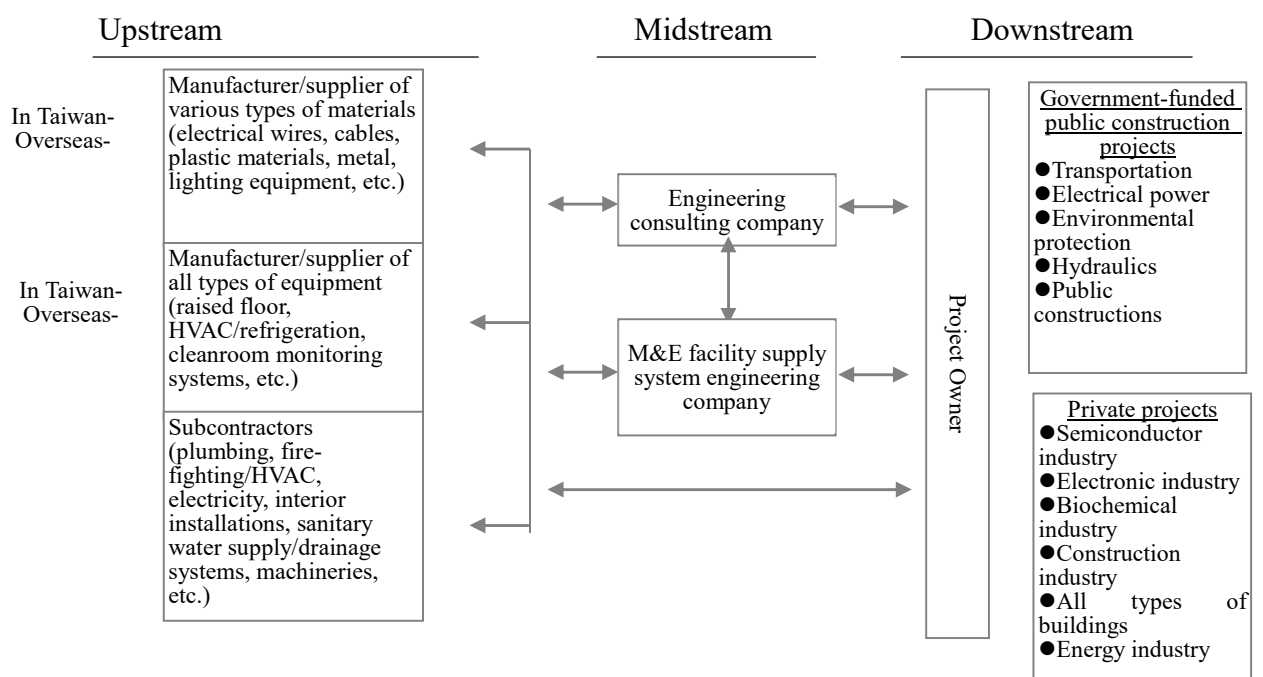
(II) Industry Overview

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	2023	Up to end of 2024/3/31
R&D Expenses	\$185,001	\$31,382

2. Technologies or products successfully developed in recent year: See Page 6 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 Corporation (privatized 2009) 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, Taoyuan International Airport Terminal 3 Building Civil Engineering Construction Project - Road Mechanical and Electrical and T3 Temporary Electrical Engineering, the City Rezoning Development Project for the 1-1 and 1-2 Districts of Wenzizun Area across New Taipei City's Xinzhuang and Taishan Districts - Mechanical and Electrical, Lighting, and Traffic Light Engineering, Jingmei Girls High School General Building and Underground Parking Lot Project - Mechanical and Electrical Phase II. 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:

In response to the COVID-19 pandemic, the biotechnology industry worldwide has accelerated its R&D pace, facilitating the application of multiple innovative biomedical technologies. Meanwhile, digital technologies, including artificial intelligence, big data, and deep learning, have been actively introduced, resulting in the development of telemedicine, digital medicine, precision medicine, and other related products.

Biotechnology is one of the emerging industries that Taiwan is actively promoting, with the vision of achieving “Good Health and Well-being for All at All Ages in Taiwan by 2030.”

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.

In addition, with the “Act for the Development of Biotech and New Pharmaceuticals Industry” revised and passed at the end of 2021, tax incentives have been extended until the end of 2031. The scope of application has also been expanded, with coverage extending from existing new drugs, high-risk medical devices, precision medicine, and regenerative medicine to new dosage forms, digital medicine, innovative technology platforms dedicated to the biotech and pharmaceutical industry, and contract development and manufacturing organizations (CDMOs). Eight authorization regulations were promulgated and implemented in January 2023. As of July 2023, a total of 193 companies and 492 products have passed the qualification review for biotech pharmaceutical companies and biotech pharmaceutical products under the “Act for the Development of Biotech and New Pharmaceuticals Industry.” Among them, 81 products have been launched in both Taiwan and international markets. By offering tax incentives, it is anticipated that manufacturers will be encouraged to invest in the

development and launch of biotech and pharmaceutical products, and that the manufacturing capacity of the country's biomedicine industry will be strengthened, thereby accelerating the growth of the biotech and pharmaceutical industry.

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 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 Epitek 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 3,526,070 square meters of cleanrooms (as of 2023/12) 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

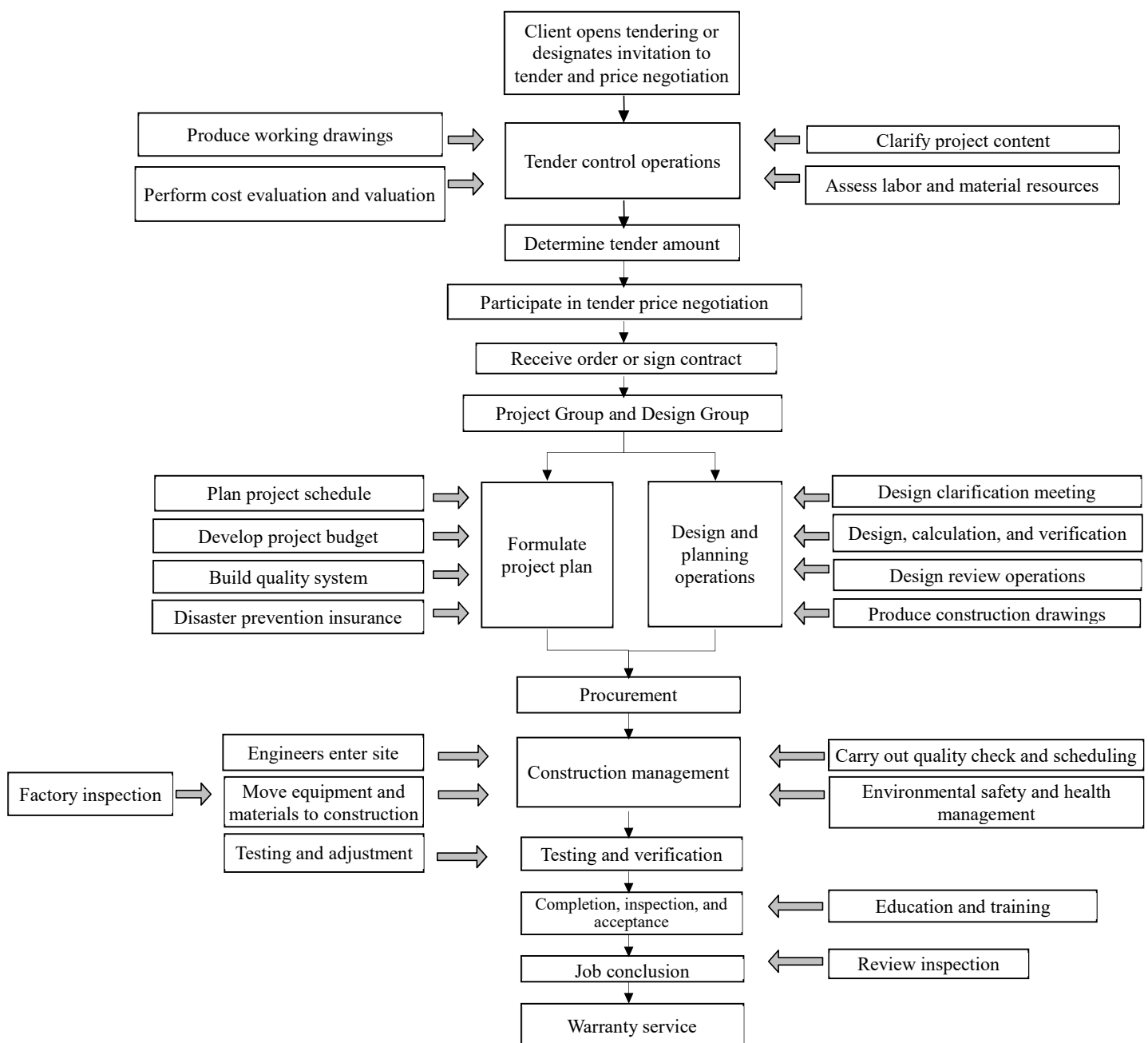
Competition in the field of industrial engineering is affected by factors relating to construction schedule, price, quality, and technological capabilities. Engineering is also a type of business involving professional technical services that focus on the quality and management of people. To ensure consistency 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	2022				2023				2024 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	T1	1,086,389	3.29%	None	T1	13,277,969	25.66%	None	T1	2,489,422	14.38%	None
2	Others	31,915,596	96.71%	None	Others	38,470,456	74.34%	None	Others	14,821,258	85.62%	None
	Net Total	33,001,985	100.00%		Net Total	51,748,425	100.00%	74.34%	Net Total	17,310,680	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	2022				2023				2024 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 A	4,359,870	12.20%	None	Company A	29,186,394	51.29%	None	Company A	13,500,300	70.44%	None
2	Company B	3,609,508	10.10%	None	Company B	2,462,759	4.33%	None	Company B	649,424	3.39%	None
3	Others	27,769,508	77.70%	None	Others	25,255,506	44.38%	None	Others	5,016,837	26.17%	None
	Net Total	35,738,886	100.00%		Net Total	56,904,659	100.00%		Net Total	19,166,561	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	2023			2022		
		Production Capacity (Note 1)	Production Volume (Note 1)	Production Value	Production Capacity (Note 1)	Production Volume (Note 1)	Production Value
Cleanroom projects		-	-	10,075,778	-	-	4,851,181
Process plumbing projects		-	-	1,638,693	-	-	1,709,147
M&E projects		-	-	2,349,744	-	-	3,799,235
Others(Note 2)		-	-	37,684,210	-	-	22,642,422
Total		-	-	51,748,425	-	-	33,001,985

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	2023				2022			
		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		-	2,012,640	-	9,493,058	-	1,889,833	-	3,503,918
Process plumbing projects		-	69	-	1,904,212	-	-	-	1,871,942
M&E projects		-	1,382,236	-	1,075,662	-	2,588,412	-	1,589,964
Others (Note 2)		-	15,973,393	-	25,063,389	-	18,314,389	-	5,980,428
Total		-	19,368,338	-	37,536,321	-	22,792,634	-	12,946,252

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		2022	2023	2024/5/31
Employee Count (Note 1)	Direct Labor	3,952	4,086	4,285
	Indirect Labor	370	290	343
	Total	4,322	4,376	4,628
Average Years of Age(Note 2)		44.41	39.63	41.45
Average Years of Service(Note 2)		5.62	5.44	5.94
Education (Note 2)	Ph.D	0.30%	0.35%	0.34%
	Master's	8.61%	8.38%	8.40%
	College degree/Bachelor's	78.35%	79.12%	78.47%
	Senior High School	10.32%	9.03%	9.15%
	Others	2.42%	3.13%	3.64%

Note 1: Include foreign workers.

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

iv. Environmental Protection Expenditure

- (II) List the losses suffered due to pollution of the environment in the most recent year and up to the publication date of this Annual Report (including compensation and results of environmental protection audits that violated environmental protection laws and regulations; specify the date of the penalty, penalty number, violated articles in regulations, contents of violation, and the contents of penalties), and disclose the estimated amount arising both at present and in the future and the corresponding countermeasures. If the amount cannot be reasonably estimated, the reason for the inability to provide a reasonable estimation shall be explained:

Date of Violation	Competent Authority	Sanction Document Number	Type of Environmental Regulation Violation	Specific Article Violated	Penalty
2023/1/4	Environmental Protection Department, New Taipei City Government	2023.7.7 New Taipei-Huan-Ji-Zi No. 21-112-070812 (MCJ-7075)	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.
2023/1/4	Environmental Protection Department, New Taipei City Government	2023.7.7 New Taipei-Huan-Ji-Zi No. 21-112-070813 (MCJ-7076)	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.
2023/1/4	Environmental Protection Department, New Taipei City Government	2023.7.7 New Taipei-Huan-Ji-Zi No. 21-112-070814 (MCJ-7077)	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.

Date of Violation	Competent Authority	Sanction Document Number	Type of Environmental Regulation Violation	Specific Article Violated	Penalty
2023/1/4	Environmental Protection Department, New Taipei City Government	2023.7.7 New Taipei-Huan-Ji-Zi No. 21-112-070815 (MCJ-7079)	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.
2023/1/4	Environmental Protection Department, New Taipei City Government	2023.7.7 New Taipei-Huan-Ji-Zi No. 21-112-070816 (MCJ-7081)	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.
2023/1/10	Department of Environmental Protection, Taipei City Government	2023.1.31 Fei-Zi No. 40-112-010036	Waste Disposal Act	Article 27, Subparagraph 11	A fine of NT\$1,200 for improper cleanup of water containers, such as empty bottles, cans, and Styrofoam containers, harming the environment and hygiene due to the risk of breeding pest larvae and mosquito larvae already bred from the containers. (Across from Alley 16, Lane 310, Section 3, Muxin Road, Wenshan District)
2023/2/16	Environmental Protection Department, New Taipei City Government	2023.3.20 New Taipei-Huan-Ji-Zi No. 40-112-030023	Waste Disposal Act	Article 31, Paragraph 1, Subparagraph 1	A fine of NT\$6,000 and 1 hour of environmental training for failing to update the industrial waste disposal plan after the construction waste (R-0503) volume increased by over 10% of the maximum monthly production volume.

Date of Violation	Competent Authority	Sanction Document Number	Type of Environmental Regulation Violation	Specific Article Violated	Penalty
2023/2/16	Environmental Protection Department, New Taipei City Government	2023.3.20 New Taipei-Huan-Ji-Zi No. 40-112-030024	Waste Disposal Act	Article 31, Paragraph 1, Subparagraph 2	A fine of NT\$60,000 and 2 hours of environmental training for incorrectly reporting waste production, storage, and cleanup amounts for asbestos and its waste (C-0701) and construction mixture (R-0503), as well as for failing to report part of the waste storage for these waste codes.
2023/3/15	Department of Environmental Protection, Taipei City Government	2023.3.28 Fei-Zi No. 40-112-030093	Waste Disposal Act	Article 27, Subparagraph 2	A fine of NT\$2,400 for improper construction cleanup, causing pollution to adjacent roads or pedestrians due to waste and surplus earth, and pollution extending 3 meters onto roads due to mud and sand. (The intersection of Lane 157, Jingmao 2nd Road and Jingmao 2nd Road, Nangang District)
2023/5/15	Department of Environmental Protection, Taipei City Government	2023.6.12 Fei-Zi No. 40-112-060024	Waste Disposal Act	Article 27, Subparagraph 2	A fine of NT\$6,000 and 1 hour of environmental training for improper construction cleanup, causing pollution to adjacent ditches due to waste and surplus earth, and pollution extending approximately 321 meters into the storm drains due to sludge. (Around the intersection of Jingmao 1st Road and Lane 105, Jingmao 2nd Road, Nangang District)

Date of Violation	Competent Authority	Sanction Document Number	Type of Environmental Regulation Violation	Specific Article Violated	Penalty
2023/6/1	Environmental Protection Department, New Taipei City Government	2023.8.30 New Taipei-Huan-Ji-Zi No. 21-112-083790 (MKJ-7702)	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.
2023/6/1	Environmental Protection Department, New Taipei City Government	2023.8.30 New Taipei-Huan-Ji-Zi No. 21-112-084175	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.
2023/6/1	Environmental Protection Department, New Taipei City Government	2023.8.30 New Taipei-Huan-Ji-Zi No. 21-112-084176	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.
2023/6/1	Environmental Protection Department, New Taipei City Government	2023.8.30 New Taipei-Huan-Ji-Zi No. 21-112-084177	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.
2023/7/1	Environmental Protection Department, New Taipei City Government	2023.8.15 New Taipei-Huan-Ji-Zi No. 21-112-080931 (709-MUD)	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.

Date of Violation	Competent Authority	Sanction Document Number	Type of Environmental Regulation Violation	Specific Article Violated	Penalty
2023/8/8	Department of Environmental Protection, Taipei City Government	2023.9.6 Fei-Zi No. 40-112-090009	Waste Disposal Act	Article 27, Subparagraph 2	A fine of NT\$3,600 for improper construction cleanup, causing pollution to adjacent roads or pedestrians due to waste and surplus earth, and pollution to roads due to mud and sand. (Next to No. 172, Jingmao 1st Road, Nangang District)
2023/10/3	Environmental Protection Department, New Taipei City Government	2023.11.21 New Taipei-Huan-Ji-Zi No. 21-112-119703 (377-HZB)	Air Pollution Control Act	Article 44, Paragraph 1	A fine of NT\$500 for overdue motorcycle inspection.
2023/10/18	Department of Environmental Protection, Taipei City Government	2023.12.5 Fei-Zi No. 40-112-120049	Waste Disposal Act	Article 27, Subparagraph 2	A fine of NT\$6,000 and 1 hour of environmental training for improper construction cleanup, causing pollution to adjacent roads or pedestrians due to waste and surplus earth, and pollution extending 5 meters onto roads due to mud and sand. (The intersection of Lane 157 and Alley 36, Lane 157 on Jingmao 2nd Road, Nangang District)

1. Current and future environmental protection expenses
Waste disposal and wastewater treatment will be listed as major items. The estimated annual expenses for these two tasks are approximately NT\$310,000.
2. Response measures
 1. Develop a waste reduction target each year, encouraging employees to reduce, recycle, and reuse household garbage and waste.
 2. Ensure the quality of discharged wastewater complies with legal standards each year.

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 6% 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 2023, the Company has organized a total of 7,489 hours of training, which costed roughly NT\$929,344. 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.

List the losses suffered due to labor disputes in the most recent year and up to the publication date of this Annual Report (including violations of the Labor Standards Act in the results of labor inspections; specify the date of the penalty, penalty number, violated articles in regulations, contents of violation, and the contents of penalties), and disclose the estimated amount arising both at present and in the future and the corresponding countermeasures. If the amount cannot be reasonably estimated, the reason for the inability to provide a reasonable estimation shall be explained:

(1)Labor dispute

In 2023, an employee surnamed Liang, who was originally assigned to the factory in Singapore, was asked by his/her manager to transfer back to Taiwan. Dissatisfied with the change in work location, Liang complained to the Labor Affairs Department, New Taipei City, suspecting the change in work location was improper. The Labor Affairs Department then referred the case to the New Taipei City Labor Rights Promotion Association for assistance. A labor dispute mediation was held on July 17, 2023, but it was not successful. Despite this, the parties negotiated again the following day. After Liang agreed to accept severance pay superior to what is mandated by the Labor Standards Act, the two parties reached a settlement. It was concluded that the case was not considered material to L&K Engineering.

(2)Engineering safety incidents

A. Sanying Line Metro Turnkey Project

RSEA Engineering Corporation (privatized 2009) 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\$8,790,000 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 employed by RSEA Engineering Corporation (privatized 2009). For the injured foreign workers, RSEA Engineering Corporation (privatized 2009) has reached the settlement with them in August, 2022, and settlement letters were signed. RSEA Engineering Corporation (privatized 2009) also assisted them in applying for injury claims covered by labor insurance. The families of all parties involved in the case have reached a settlement. In addition, regarding criminal proceedings, the New Taipei District Prosecutors Office summoned 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. The engineer, named Yu-Cheng Chuo, pleaded guilty to negligence in the execution of duties and was given a ruling of deferred prosecution. Instead of other penalties, the engineer was fined NT\$120,000 payable to the National Treasury; RSEA Engineering Corporation (privatized 2009) has paid in full in September 2023. The remaining persons were not prosecuted. The

case was subsequently closed. In summary, the case has been settled among the families of the parties involved, and the responsible engineer has been granted deferred prosecution. Therefore, it is concluded that there is no material adverse effect on the L&K Group's financial and business operations.

- B. Engineering safety incident - National Exhibition and Convention Center Construction Project
- RSEA Engineering Corporation (privatized 2009) undertook the National Exhibition and Convention Center (Taipei Nangang Exhibition Center Expansion) Construction Project when, 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 in charge of a subcontractor Chun You Engineering. Family members of the deceased sued RSEA Engineering Corporation (privatized 2009), 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 Corporation (privatized 2009) and its five engineers, SUNCUE, Moh and Associates Inc., JJP Architects & Planners, and Continental Engineering Corporation. Regarding criminal proceedings, 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. Regarding civil proceedings, after several unsuccessful mediations, the case is currently pending before the Taiwan Shilin District Court. The judge ordered a halt to the proceedings until the results of the examination in the criminal proceeding are available. In summary, regarding this engineering safety accident, aside from the Group's engineers facing prosecution, the compensation was jointly borne by the owners and contractors involved in the case. Therefore, the accident had no material adverse effect on the L&K Group's financial and business operations.

- C. Engineering safety incident - Taiwan Life C3 Construction Project

During the Taiwan Life C3 Construction Project undertaken by RSEA Engineering Corporation (privatized 2009), a foreign migrant worker died in an occupational accident on September 19, 2022. The accident occurred while Rongjun Engineering, a subcontractor of RSEA Engineering Corporation (privatized 2009), was towing and transporting trucks on the construction site. A settlement agreement for this engineering safety accident was reached and signed through an intermediary and the Thailand Trade and Economic Office in Taiwan (appointed by the victim's family) on September 28, 2022. A total payment of NT\$4,160,000, as stipulated by the settlement agreement, has been made. The criminal investigation (Case No.: 2023 Zhen-Zi No. 9058) regarding this occupational accident is still in progress at the Taipei Shilin Prosecutors Office. In summary, the compensation for this engineering safety

accident was covered by insurance. We are currently seeking reimbursement for the relevant losses incurred from the subcontractor. Therefore, the accident has no material adverse effect on the L&K Group's financial and business operations.

D. Engineering safety incident - Taoyuan International Airport Terminal 3 Building Civil Engineering Construction Project

During the Taoyuan International Airport Terminal 3 Building Civil Engineering Construction Project undertaken by RSEA Engineering Corporation (privatized 2009), Shang-I Chu, an R.O.C. worker employed by Yi Chang Company—a subcontractor of RSEA Engineering Corporation (privatized 2009)—died on December 12, 2023. His death is suspected to have been caused by being clamped by the outrigger boom of a truck-mounted concrete pump. This occurred while he was retrieving items from a basket located under the pump and entering the radius of the outrigger boom during concrete pouring operations. A settlement agreement for this engineering safety accident was reached and signed with the victim's family on January 21, 2024. The terms of the settlement include a total compensation of NT\$11,000,000, the establishment of a trust account, and other subsequent assistance. The criminal investigation (Case No.: 2024 Zhen-Zi No. 17502) regarding this occupational accident is still in progress at the Taoyuan District Prosecutors Office. The case has been filed against the legal representative of the subcontractor for investigation. In addition, this case is covered by comprehensive construction insurance and other relevant commercial insurance, as required by the contract. We are currently engaging an insurance notary to calculate the compensation for this engineering safety incident. This will help clarify the exact amount of reimbursement we will seek from the subcontractor later. The accident has no material adverse effect on the L&K Group's financial and business operations.

Date of Sanction	Sanction Document No.	Specific Article Violated	Cause of Violation	Fine Amount
2023/03/21	1124655535	Article 9, Paragraph 1 of the Labor Standards Act	The execution of a fixed-term contract	30,000
2023/03/21	11246570721	Article 24 of the Labor Standards Act	Overtime work	40,000
2023/03/27	Fu-Lao-Zhi-Zi No. 11260571631	Article 27, Paragraph 1, Subparagraphs 1, 2, 3, and 4 of the Occupational Safety and Health Act	Failure of the original business entity to take necessary measures for contracting management	150,000
2023/05/08	Lao-Zhi-Shou-Zi No. 1120202365	Article 27, Paragraph 1, Subparagraphs 2 and 3 of the Occupational Safety and Health Act	The business entity and the contractor individually hired laborers for joint operations, yet failed to implement necessary measures to regulate and adjust work, and conducted no inspections at the workplaces.	150,000
2023/05/08	Lao-Zhi-Shou-Zi No. 1120202365A	Article 19, Paragraph 1 and Article 45, Paragraph 1, Subparagraph 3 of the Construction Safety and Health Standard, Article 29-5, Paragraph 1, Article 228, Article 243, Paragraph 1, Subparagraph 3 of the Occupational Safety and Health Facilities Rules, and Article 6, Paragraph 1 of the Occupational Safety and Health Act	In operations conducted at openings of ring system scaffolds in shaft areas at heights above 2 meters, guardrails, covers, safety nets, and other protective equipment were not installed. Ascending/descending devices on the construction scaffolding were not securely connected to the structure using wall ties. No ascending/descending devices were installed in shaft areas. No ventilation equipment was installed in confined spaces, and temporary electrical equipment in the shaft area lacked a residual-current device.	300,000
2023/05/10	Fu-Lao-Zhi-Zi No. 11260671681	Article 20, Subparagraph 5 of the Construction Safety and Health Standard and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act	Failure to install guardrails as required	30,000
2023/05/25	11232915500	Article 57, Subparagraph 5 of the Employment Service Act	Foreign workers failed to undergo the scheduled physical health check-up	140,000
2023/05/25	1120138324	Article 57, Subparagraph 4 of the Employment Service Act	Migrant workers were commanded to change their workplaces without permission	30,000
2023/06/20	Fu-Lao-Zhi-Zi No. 11260719291	Article 5 of the Construction Safety and Health Standard and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act, Article 19, Paragraph 1 of the	Failure to take protective measures for exposed rebar and other materials. Failure to install protective equipment in areas at risk of falls. Failure to install ascending/descending devices.	300,000

Date of Sanction	Sanction Document No.	Specific Article Violated	Cause of Violation	Fine Amount
2023/06/20	Fu-Lao-Zhi-Zi No. 11260719291	Construction Safety and Health Standard and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act, Article 228 of the Occupational Safety and Health Facilities Rules and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act	Failure to take protective measures for exposed rebar and other materials. Failure to install protective equipment in areas at risk of falls. Failure to install ascending/descending devices.	300,000
2023/09/14	Fu-Lao-Zhi-Zi No. 11260940395	Article 5 of the Construction Safety and Health Standard and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act, and Article 313, Paragraph 1, Subparagraph 6 of the Occupational Safety and Health Facilities Rules and Article 6, Paragraph 1, Subparagraph 14 of the Occupational Safety and Health Act	Failure to take protective measures for exposed rebar and other materials. Failure to comply with regulations on natural lighting and artificial lighting.	180,000
2023/09/19	Lao-Zhi-Shou-Zi No. 1120204491	Article 65 of the Safety Standard of Machinery, Equipment and Tools and Article 6, Paragraph 1 of the Occupational Safety and Health Act	Failure to equip the woodworking circular saw blade with a protective cover.	100,000
2023/09/22	Fu-Lao-Zhi-Zi No. 11260974581	Article 5 of the Construction Safety and Health Standard and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act, Article 20, Paragraph 7 of the Construction Safety and Health Standard and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act	Failure to take protective measures for exposed rebar and other materials. Failure to install guardrails as required.	210,000

Date of Sanction	Sanction Document No.	Specific Article Violated	Cause of Violation	Fine Amount
2023/10/04	1124680962	Article 23, Paragraph 1 of the Labor Standards Act	Failure to provide payroll details on the 5th of each month as agreed	20,000
2023/11/06	Fu-Lao-Zhi-Zi No. 11261125861	Article 27, Paragraph 1, Subparagraphs 1, 2, and 3 of the Occupational Safety and Health Act	Failure of the original business entity to take necessary measures for contracting management.	150,000
2023/11/22	Fu-Lao-Zhi-Zi No. 11261167001	Article 5 of the Construction Safety and Health Standard and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act; Article 19, Paragraph 1 of the Construction Safety and Health Standard and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act	Failure to take protective measures for exposed rebar and other materials. Failure to install protective equipment in areas at risk of falls.	300,000

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 Cyber Security Policies

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.
Change Management	Backup power for	Server rooms are equipped with UPS and a standby generator in

Type	Management Plans	Management Measures
	server rooms	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 six 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 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	-
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)	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
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 Corp.	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 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	Taichung Photronics Photomask Co., Ltd.	As per owner requirement	FAB Expansion Design Fee Project	-
Construction Contract	Taichung Photronics Photomask Co., Ltd.	As per owner requirement	FAB Expansion 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	CONSTRUCTION SERVICES	-
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	-
Loan Agreement	Hua Nan Commercial Bank	2023.12.01~2024.12.01	General credit limit	-
Loan Agreement	Chinatrust Commercial Bank	2023.08.31~2024.08.31	General credit limit	-
Loan Agreement	Taishin International Bank	2023.09.30~2024.09.30	General credit limit	-
Loan Agreement	Yuantan Commercial Bank	2023.06.29~2024.06.29	General credit limit	-
Loan Agreement	Shanghai Commercial and Savings Bank	2023.10.18~2024.10.18	General credit limit	-
Loan Agreement	Mega International Commercial Bank	2023.05.24~2024.05.23	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	2023.07.17~2024.07.17	General credit limit	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Loan Agreement	Taichung Commercial Bank Co., Ltd.	2023.05.10~2024.05.10	General credit limit	-
Loan Agreement	Land Bank Of Taiwan	2023.10.06~2024.10.06	General credit limit	-
Loan Agreement	First Commercial Bank	2023.05.19-2024.05.19	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	2024.03.27~2025.03.26	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	China Bills Finance Corporation	2023.10.16~2024.10.15	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Grand Bills Finance Corp.	2024.02.19~2025.02.18	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Taiwan Cooperative Bills Finance Corporation	2023.12.08~2024.12.08	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Taiwan Finance Corporation	2023.10.18~2024.10.17	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Ta Ching Bills Finance Corporation	2023.10.06~2024.10.06	Appointment to guarantee issuance of commercial papers	-
Loan Agreement	Taiwan Shin Kong Commercial Bank Co., Ltd.	2023.12.25~2024.12.25	General credit limit	-
Loan Agreement	United Overseas Bank (UOB)	2014.04.09~2025.04.08	Project Financing	-
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	-
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 2013.12 as per owner requirement	Academia Sinica Research Center for Environmental Challenges 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	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	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
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	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	-
Construction Contract	LNG Engineering Division, CPC Corporation, Taiwan	From 2022.7 as per owner requirement	Taichung Plant Phase III Gasification Facilities and Integrated Pipeline Turnkey Project	-
Construction Contract	POTENS SEMICONDUCTOR CORP.	From 2022.6 as per owner requirement	Construction Project at Land Serial No. 941, Donghua Segment, Zhubei City - Architectural Design Commission and Construction Contracting	-
Construction Contract	Construction Office, New Taipei City Government	From 2024.1 as per owner requirement	Tamsui North Shore Road Project	-
Construction Contract	Mass Rapid Transit Bureau, Kaohsiung City Government	From 2023.11 as per owner requirement	Kaohsiung Metropolitan MRT Siaogang-Linyuan Line LOT RLC01 Civil Engineering and Facility M&E Turnkey Project	-
Construction Contract	Eastern Region Engineering Branch Office, Railway Bureau, MOTC	From 2023.12 as per owner requirement	Railway Dual-track Electrification Plan in Hualien and Taitung Area Construction Works of Civil and Track from Guanshan (Not Included) to Shanli, LOT CB05	-
Construction Contract	Northern Region Engineering Office, Railway Bureau, Ministry of Transportation and Communications	From 2024.3 as per owner requirement	Taiwan Railway Metropolitan MRT Transformation Underground Construction Plan for Taoyuan Segment LOT CJ16 Underground Railway Engineering Project at Zhongyuan Station Section	-
Loan Agreement	First Commercial Bank	2024.01.22-2025.01.21	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	2019.05.17-2024.10.16	Project Financing	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Loan Agreement	Hua Nan Commercial Bank	2023.12.29-2024.12.29	General credit limit	-
Loan Agreement	Export-Import Bank of the Republic of China	2022.08.05-2024.08.05	General credit limit	-
Loan Agreement	Mega International Commercial Bank	2023.08.30-2024.08.29	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	2016.12.29-2024.05.31	Project Financing	-
Loan Agreement	Mega International Commercial Bank	2021.12.22-2026.08.29	Project Financing	-
Loan Agreement	Sunny Bank	2023.08.27-2024.08.27	General credit limit	-
Loan Agreement	Chang Hwa Bank	2023.09.30-2024.09.30	General credit limit	-
Loan Agreement	Chinatrust Commercial Bank	2023.08.31-2024.08.31	General credit limit	-
Loan Agreement	Hua Nan Commercial Bank	2023.08.25-2029.08.24	Project Financing	-
Loan Agreement	First Commercial Bank	2023.12.13-2032.12.13	Project Financing	-
Loan Agreement	Taishin Bank	2023.12.28-2029.12.31	Project Financing	-
Construction Contract	ChangXin Memory Technologies, Inc.	From 2021.11.22 as per owner requirement	Installation of a New Purification System - Expansion Project	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2021.12.27 as per owner requirement	2021 BJ Fab2 P1 VCB Replacement Project	-
Construction Contract	Semiconductor Manufacturing International (Beijing) Corp.	From 2022.01.17 as per owner requirement	2021 BJ Fab2-P1 Risk Improvement - Dry Type Transformer Overload Improvement Project	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2022.03.01 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	Fujian Jinhua Integrated Circuit Co., LTD	From 2022.03.08 as per owner requirement	P-projectNewtool (6 Units) Hookup (Mechanical and Electrical Hookup Project)	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.03.17 as per owner requirement	32K Hookup	-
Construction Contract	United Microelectronics Corporation (Singapore Branch)	From 2022.03.24 as per owner requirement	Singapore UMC 12iP3/4PilingWork	-
Equipment and materials	United Microchip Corporation Integrated	From 2022.03.30 as per owner requirement	32K ACS/WTS Variable-Frequency Drive & DC BANK Equipment	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
	Circuit Manufacture (Xiamen) Co., Ltd.			
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2022.03.31 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 2022.03.31 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 2022.03.31 as per owner requirement	32K Cleanroom Expansion Project	-
Construction Contract	HuiZhou China Star Optoelectronics Display Co.,Ltd.	From 2022.04.07 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 2022.04.20 as per owner requirement	32K PCW Hookup Process Water Cooling Hookup Project	-
Construction Contract	ChangXin Xinqiao Memory Technologies,Inc.	From 2022.04.25 as per owner requirement	Phase II Project of 12-in Wafer Fab, Cleanroom MEP B	-
Construction Contract	Qing Ding Precision Electronics (HuaiAn) Co., Ltd.	From 2022.04.30 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 2022.04.30 as per owner requirement	Phase I M&E Supply Project of Qing Ding's High-end High-intensity Printed Circuit Board	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2022.05.23 as per owner requirement	P-project New tool (9 Units) Hookup (Mechanical and Electrical Hookup Project)	-
Construction Contract	TCL Huaxing Photoelectric Technology Co., Ltd.	From 2022.06.28 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 2022.07.15 as per owner requirement	Hookup of the Tianchi Project in the Fuichiu Model	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2022.08.26 per owner requirement	Plant Reconstruction and Expansion of the 2022SHFab8-P2 Expansion Project (P1) - Cleanroom General MEP Systems Project	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2022.08.26 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 (Shanghai) Corp.	From 2022.09.16 as per owner requirement	Plant Reconstruction and Expansion of the 2022SHFab8-P2 Expansion Project (P1) - Electrical Power System Project	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2022.09.16 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	Fujian Jinhua Integrated Circuit Co., LTD	From 2022.11.04 as per owner requirement	P-project (5th) Hookup of 4 Tools (M&E Hookup Project)	-
Construction Contract	tsmc Nanjing Company Limited	From 2022.12.26 per owner requirement	TSMC Nanjing IE_TXM_Personnel_TMMSservice (2023)	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2023.02.02 per owner requirement	Phoenix 2K - 3 Units Hookup (MEP Hookup Project)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	Cleanroom Package (Materials)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	Cleanroom Package (Materials)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	HVAC System (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	HVAC System (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	Fire Protection System (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	Fire Protection System (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	Electrical Engineering (Material)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	Electrical Engineering (Material)	-
Construction Contract	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	Process Piping System (Labor)	-
Equipment and materials	United Microelectronics Corporation (Singapore Branch)	From 2023.02.14 as per owner requirement	Process Piping System (Material)	-
Construction Contract	PXW Semiconductor Manufactory Co., Ltd.	From 2023.03.03 as per owner requirement	Pxw Semiconductor Manufactory Co., Ltd, IC Manufacturing Line Hookup Project - Installation	-
Equipment and materials	PXW Semiconductor Manufactory Co., Ltd.	From 2023.03.03 as per owner requirement	Pxw Semiconductor Manufactory Co., Ltd, IC Manufacturing Line Hookup Project - Material Supply Contract	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2023.03.07 as per owner requirement	MEP Hookup Project	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2023.05.10 as per owner requirement	MEP Hookup Project	-
Construction Contract	Shenzhen Pensun Technology Co., Ltd.	From 2023.05.26 as per owner requirement	Clean Package for Pensun IC Production Base Project	-
Construction Contract	HeJian Technology (Suzhou) Co., Ltd.	From 2023.05.30 as per owner requirement	Ice Machine Expansion Project Phase 2	-
Construction Contract	Shenzhen Pensun Technology Co., Ltd.	From 2023.06.09 as per owner requirement	20K Hookup Installation	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2023.07.10 as per owner requirement	Plant Reconstruction and Expansion of the 2023 SH Fab8-P1 Takeover of P3 Project-CR	-
Construction Contract	Leading Interconnect Semiconductor Tecgbikigy(Shenzhen)Co.,Ltd.	From 2023.08.08 as per owner requirement	SL01 Phase 2 M&E Interior Primary Distribution	-
Construction Contract	Leading Interconnect Semiconductor	From 2023.08.08 as per owner requirement	SL01 Phase 2 M&E Interior Primary Distribution	-

Contract Type	Counteracting Party	Term of Agreement	Summary	Restrictions
	Tecgbikigy(Shenzhen)Co.,Ltd.			
Construction Contract	Semiconductor Manufacturing International (Shenzhen) Corp.	From 2023.09.18 as per owner requirement	Addition of Emergency Ventilation System for 2023SZ Fab Risk Improvement in HPM7	-
Construction Contract	Semiconductor Manufacturing International (Shanghai) Corp.	From 2023.09.19 as per owner requirement	2023 SH Fab8-P1 Low Voltage Capacitor Improvement Project	-
Equipment and materials	Fujian Jinhua Integrated Circuit Co., LTD	From 2023.10.12 as per owner requirement	L28 Power Expansion Project (Materials)	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2023.10.24 as per owner requirement	Underground Piping Enhancement with Additional Septic Tank Installation	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2023.10.27 as per owner requirement	G1 Upgrade and Renovation Project	-
Construction Contract	Yangtze Memory Technologies Co.,Ltd	From 2023.11.22 as per owner requirement	National Memory Base Project (Phase I) - FAB2 and Supporting Facilities EPC Project - FAB2b Cleanroom Project	-
Construction Contract	Semiconductor Manufacturing International (Tianjin) Corp.	From 2023.12.04 as per owner requirement	2023 TJ Fab7 P3 IGBT Process Equipment Cleanroom Auxiliary Project	-
Construction Contract	SMIC Southern Integrated Circuit Manufacturing Co., Ltd.	From 2023.12.13 as per owner requirement	Plant Renovation of the 2023 SH Fab8-P1B 3F - Power Systems	-
Construction Contract	Yangtze Memory Technologies Co.,Ltd	From 2023.12.16 as per owner requirement	National Memory Base Project (Phase I) - FAB2 and Supporting Facilities EPC Project - FAB2b Universal Power Distribution	-
Construction Contract	tsmc Nanjing Company Limited	From 2024.01.03 as per owner requirement	TSMC Nanjing - IE_LV_Project_H40E Substation Relocation	-
Construction Contract	Shenzhen Chengke Equipment Technology Co., Ltd.	From 2024.01.11 as per owner requirement	Cleanroom Construction for the Pinghu Intelligent Manufacturing Park Project	-
Construction Contract	SMIC Jingcheng Integrated Circuit Manufacturing (Beijing) Co., Ltd.	From 2024.01.19 as per owner requirement	Power System Installation Package Expansion for the 2023 BJ Fab3 P1 Plant Construction Project	-
Equipment and materials	SMIC Jingcheng Integrated Circuit Manufacturing (Beijing) Co., Ltd.	From 2024.01.19 as per owner requirement	Expansion Procurement for the Power System Installation Package for the 2023 BJ Fab3 P1 Plant Construction Project	-
Construction Contract	ChangXin Xinqiao Memory Technologies,Inc.	From 2024.01.29 as per owner requirement	Phase II Project of 12-in Wafer Fab, FAB A2B Facility M&E Engineering and Cleanroom Construction	-
Construction Contract	Fujian Jinhua Integrated Circuit Co., LTD	From 2024.02.07 as per owner requirement	P1 Power and HVAC Systems Expansion Project (HVAC Package A)	-
Equipment and materials	Fujian Jinhua Integrated Circuit Co., LTD	From 2024.02.07 as per owner requirement	Procurement Project for P1 Power and HVAC Systems Expansion (HVAC Package A)	-
Construction Contract	United Microchip Corporation Integrated Circuit Manufacture (Xiamen) Co., Ltd.	From 2024.03.12 as per owner requirement	Addition of Integrated Manual-Automatic Shut-off Valve Monitoring for Rainwater Well	-

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		2019	2020	2021	2022	2023	First Quarter of 2024
Total current assets		23,550,050	23,929,793	27,755,043	43,935,897	49,295,437	49,572,837
Property, plant and equipment		1,040,776	760,114	749,636	847,439	795,204	787,132
Intangible assets		17,990	19,964	20,401	31,128	28,637	29,285
Other assets		3,426,436	3,552,209	3,714,843	4,203,778	4,238,487	4,406,333
Total assets		28,035,252	28,262,080	32,239,923	49,018,242	54,357,765	54,795,587
Current liabilities	Before distribution	14,316,215	14,776,687	18,925,361	34,273,602	37,605,881	35,302,982
	After distribution	13,977,904	14,551,146	18,587,050	33,484,209	-	-
Total Noncurrent Liabilities		2,117,991	2,248,892	1,922,057	1,932,323	1,188,217	1,542,391
Total liabilities	Before distribution	16,434,206	17,025,579	20,847,418	36,205,925	38,794,098	36,845,373
	After distribution	16,095,895	16,800,038	20,509,107	35,416,532	-	-
Equity attributable to shareholders of the parent		7,722,774	7,601,421	7,794,615	8,695,729	10,929,414	12,999,536
Capital stock		2,255,409	2,255,409	2,255,409	2,255,409	2,255,409	2,325,409
Certificates of Bond-to-Stock Conversion		-	-	-	-	-	-
Capital surplus		2,855,388	2,847,935	2,847,935	2,853,613	2,861,062	3,660,408
Retained earnings	Before distribution	2,981,088	2,952,038	3,053,424	3,720,415	5,818,204	6,749,578
	After distribution	2,642,777	2,726,497	2,715,113	2,931,022	-	-
Other equity		(369,111)	(453,961)	(362,153)	(133,708)	(5,261)	264,141
Non-controlling interests		3,878,272	3,635,080	3,597,890	4,116,588	4,634,253	4,950,678
Total equity	Before distribution	11,601,046	11,236,501	11,392,505	12,812,317	15,563,667	17,950,214
	After distribution	11,262,735	11,010,960	11,054,194	12,022,924	-	-

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		2019	2020	2021	2022	2023
Total current assets		4,283,105	5,256,136	6,441,785	19,516,172	20,918,311
Property, plant and equipment		287,839	279,055	270,626	284,481	281,376
Intangible assets		1,108	4,011	5,208	7,315	4,693
Other assets		7,833,077	7,422,075	7,511,633	8,332,486	9,527,071
Total assets		12,405,129	12,961,277	14,229,252	28,140,454	30,731,451
Current liabilities	Before distribution	3,049,362	3,786,165	5,273,697	18,874,034	19,247,966
	After distribution	2,711,051	3,560,624	4,935,386	18,084,641	-
Total Noncurrent Liabilities		1,632,993	1,573,691	1,160,940	570,691	554,071
Total liabilities	Before distribution	4,682,355	5,359,856	6,434,637	19,444,725	19,802,037
	After distribution	4,344,044	5,134,315	6,096,326	18,655,332	-
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	2,847,935	2,847,935	2,853,613	2,861,062
Retained earnings	Before distribution	2,981,088	2,952,038	3,053,424	3,720,415	5,818,204
	After distribution	2,642,777	2,726,497	2,715,113	2,931,022	-
Other equity		(369,111)	(453,961)	(362,153)	(133,708)	(5,261)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	7,722,774	7,601,421	7,794,615	8,695,729	10,929,414
	After distribution	7,384,463	7,375,880	7,456,304	7,906,336	-

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	2019	2020	2021	2022	2023	First Quarter of 2024
Operating revenue	16,591,857	13,916,562	23,752,829	35,738,886	56,904,659	19,166,561
Gross profit	1,092,407	805,533	1,404,002	2,736,901	5,156,234	1,855,881
Net operating income	339,870	(129,653)	281,064	1,617,179	4,013,315	1,449,996
Non-operating income and expenses	563,842	402,083	120,505	86,817	523,982	55,406
Income before income tax	903,712	272,430	401,569	1,703,996	4,537,297	1,505,402
Current period profit from continuing operations	681,997	209,927	324,109	1,284,023	3,543,341	1,174,907
Loss from discontinued operations	-	-	-	-	-	-
Net income	681,997	209,927	324,109	1,284,023	3,543,341	1,174,907
Other comprehensive income (loss) for the period, net of income tax	(251,664)	(133,412)	107,652	289,159	64,648	342,294
Total comprehensive income for the period	430,333	76,515	431,761	1,573,182	3,607,989	1,517,201
Net profit attributable to owner of parent	499,011	342,880	321,400	999,138	2,888,820	931,374
Net profit attributable to non-controlling interests	182,986	(132,953)	2,709	284,885	654,521	243,533
Total comprehensive income attributable to the owner of parent	359,120	212,542	418,735	1,233,747	3,015,629	1,200,776
Total comprehensive income attributable to non-controlling interests	71,213	(136,027)	13,026	339,435	592,360	316,425
Basic Earnings Per Share	2.21	1.52	1.43	4.43	12.81	4.10

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	2019	2020	2021	2022	2023
Operating revenue	2,673,279	3,134,895	4,994,812	10,805,257	29,101,602
Gross profit	36,708	289,641	484,791	1,158,652	2,856,373
Net operating income	(127,185)	140,898	270,199	840,233	2,515,049
Non-operating income and expenses	744,712	240,055	104,427	424,989	1,084,431
Income before income tax	617,527	380,953	374,626	1,265,222	3,599,480
Current period profit from continuing operations	499,011	342,880	321,400	999,138	2,888,820
Loss from discontinued operations	-	-	-	-	-
Net income	499,011	342,880	321,400	999,138	2,888,820
Other comprehensive income for the period net of income tax	(139,891)	(130,338)	97,335	234,609	126,809
Total comprehensive income for the period	359,120	212,542	418,735	1,233,747	3,015,629
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	2.21	1.52	1.43	4.43	12.81

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
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
2023	L.H. Chen & Co., CPAs	Tseng-Kuo Huang, Jung Hua Chen	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		2019	2020	2021	2022	2023	First Quarter of 2024
Financial Structure (%)	Debt to asset ratio	58.62	60.24	64.66	73.86	71.37	67.24
	Ratio of long-term capital to property, plant and equipment	1,318.16	1,774.13	1,776.14	1,739.90	2,106.62	2,476.41
Liquidity (%)	Current ratio	164.50	161.94	146.66	128.19	131.08	140.42
	Quick ratio	98.15	81.95	80.72	66.82	87.89	102.97
	Times interest earned	11.90	4.40	6.09	28.17	66.96	117.85
Operating Ability	Receivables turnover ratio (times)	3.81	3.35	4.77	5.44	5.93	6.77
	Average collection days	95.80	108.96	76.51	67.09	61.55	53.91
	Inventories, net turnover ratio (times)	0.18	0.15	2.35	3.45	5.46	7.68
	Payables turnover ratio (times)	2.46	2.12	2.95	3.25	3.38	3.63
	Average days for sale	2,027.78	2,433.33	155.31	105.79	66.84	47.52
	Property, plant and equipment turnover ratio (times)	17.22	15.46	31.47	44.76	69.28	96.90
	Total asset turnover (times)	0.60	0.49	0.79	0.88	1.10	1.40
Profitability	Return on total assets (%)	2.72	0.97	1.28	3.28	6.96	8.69
	Return on equity (%)	5.87	1.84	2.86	10.61	24.97	28.05
	Ratio of income before tax to paid-in capital (%)	40.07	12.08	17.80	75.55	201.17	258.95
	Net margin (%)	4.11	1.51	1.36	3.59	6.23	6.13
	Earnings per share (NT\$)	2.21	1.52	1.43	4.43	12.81	4.10
Cash Flow	Cash flow ratio (%)	-12.59	0.14	7.07	22.07	14.91	15.02
	Cash flow adequacy ratio (%)	-	1.62	9.48	175.78	202.00	459.06
	Cash flow reinvestment ratio (%)	-18.76	-2.88	10.34	61.44	34.91	32.35
Leverage	Operating leverage	5.50	-10.56	5.26	2.49	1.96	1.63
	Financial leverage	1.32	0.62	1.39	1.04	1.02	1.01

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. An increase in the quick ratio: A year-over-year increase is mainly due to changes in ratios resulting from

- an increase in accounts receivable.
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 revenue together with an increase in profit.
 5. An decrease in cash flow-related ratios: It is mainly due to an decrease 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, 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		2019	2020	2021	2022	2023
Financial Structure (%)	Debt to asset ratio	37.75	41.35	45.22	69.10	64.44
	Ratio of long-term capital to property, plant and equipment	3,250.35	3,287.92	3,309.20	3,257.31	4,081.18
Liquidity (%)	Current ratio	140.46	138.82	122.15	103.40	108.68
	Quick ratio	76.62	86.91	86.01	46.79	77.24
	Times interest earned	21.37	10.67	11.48	65.04	177.94
Operating Ability	Receivables turnover ratio (times)	10.69	7.23	4.84	6.90	8.1
	Average collection days	34.14	50.48	75.41	52.90	45.06
	Inventories, net turnover ratio (times)	0.15	0.14	2.59	5.52	16.93
	Payables turnover ratio (times)	2.17	2.66	2.53	3.40	4.14
	Average days for sale	2,433.33	2,607.14	140.93	66.12	21.56
	Property, plant and equipment turnover ratio (times)	11.40	11.06	18.17	38.93	102.86
	Total asset turnover (times)	0.22	0.25	0.37	0.51	0.99
Profitability	Return on total assets (%)	4.28	2.95	2.57	4.79	9.87
	Return on equity (%)	6.47	4.48	4.18	12.12	29.44
	Ratio of income before tax to paid-in capital (%)	27.38	16.89	16.61	56.10	159.59
	Net margin (%)	18.67	10.94	6.43	9.25	9.93
	Earnings per share (NT\$)	2.21	1.52	1.43	4.43	12.81
Cash Flow	Cash flow ratio (%)	-41.59	6.56	33.02	28.30	18.77
	Cash flow adequacy ratio (%)	4.66	3.56	42.88	279.83	314.97
	Cash flow reinvestment ratio (%)	-17.65	-1.00	17.62	57.22	26.05
Leverage	Operating leverage	-2.18	3.92	2.18	1.73	1.37
	Financial leverage	0.81	1.39	1.15	1.02	1.01

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. An increase in the ratio of long-term capital to property, plant and equipment:
A year-over-year increase is mainly due to changes in ratios resulting from an increase in profit.
2. An increase in the quick ratio:
A year-over-year increase is mainly due to changes in ratios resulting from an increase in accounts receivable.
3. Increase in times interest earned:
A year-over-year increase is mainly due to changes in ratios resulting from an increase in profit.
4. 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.
5. An increase in profitability-related ratios: It is mainly due to changes in ratios resulting from an increase in profit.
6. An decrease in cash flow-related ratios: It is mainly due to an decrease in net cash flow from operating activities.
7. An increase in leverage-related ratios: It is mainly due to changes in ratios resulting from an increase in revenue.

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:

Audit Committee's Report

The Board of Directors has prepared the Company's 2023 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 2024 General Shareholders' Meeting

L&K Engineering Co., Ltd.

Audit Committee convener: Chien-Jan Lee

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- iv. Financial Reports for the Most Recent Year: See Page 237-331 of this Annual Report..
- viii. CPA-Audited Individual Financial Reports for the Most Recent Year: See Page 332-413 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 2023	End of 2022	Difference	
			Amount	%
Total assets	54,357,765	49,018,242	5,339,523	10.89%
Total liabilities	38,794,098	36,205,925	2,588,173	7.15%
Total equity	15,563,667	12,812,317	2,751,350	21.47%

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 profits.

ii. Comparative Analysis of Financial Performance

(I)

Unit: NT\$ 1,000

Item \ Year	2023	2022	Change	%
Operating revenue	56,904,659	35,738,886	21,165,773	59.22%
Net Operating Income	4,013,315	1,617,179	2,396,136	148.17%
Income before Income Tax	4,537,297	1,703,996	2,833,301	166.27%

A year-over-year increase in operating revenues and net operating income is mainly due to a increase in operating revenues in 2023.

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

In the future, high-tech industries around the world will continue to evolve and grow. L&K will adapt 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 high-tech industries. On the other hand, the global supply chain will undergo regional restructuring in response to U.S.-China trade frictions, consequently prompting more relocation of fixed asset investments in the supply chain and an increase in overseas Taiwanese businesses moving 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 uncertainty, we expect that our business performance in 2024 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\$5,606,270,000 is mainly due to an increase in operating profit.
2. Investing activities: Net cash inflow from investing activities amounting to NT\$962,994,000 is mainly due to an decrease in other financial assets.
3. Financing activities: Net cash outflow from financing activities amounting to NT\$3,099,063,000 is mainly due to debt repayment.

(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)	18,700	Normal Operation	-
L&K Engineering (SUZHOU) Co., Ltd.	1,415,223	Normal Operation	-
RSEA Construction Engineering (Chongqing) Co., Ltd.	(34,806)	Decline in operating revenues	-
L&K Engineering Vietnam Co., Ltd.	57,367	Normal Operation	-
RSEA Engineering Corporation (privatized 2009).	72,987	Normal Operation	-
Unique Grand Limited	(75,844)	Investment incubation period	-
L&K Engineering Company Limited	35,520	Normal Operation	-
Suzhou Xiang Sheng Trade Company Ltd.	(1,940)	Decline in operating revenues	-
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	376	Business development in progress	-
Sunshine (China) Inc.	(60,579)	New field expansion	-
Sunshine Investment Co., Ltd.	(39,965)	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
Lightweight platform development, application, and verification	Carry out application verification with actual clients, building on the achievements of 2022.	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.	500
Development of clean environment monitoring and control program modules	In response to the requirements for micro-vibration and airborne molecular contamination (AMC) in high-end semiconductor fabrication plant construction, we are developing online vibration testing software and online AMC testing to enhance the company's competitiveness.	1000

(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:

Impacts on the company's finances include the following areas:

1. Data leak and recovery costs:
In the event of leaking sensitive data, such as customer information, project design documents, and financial data, the company will incur high costs for data recovery, customer notification, and legal compliance.
2. Business interruption and loss of revenue:
Cyber security incidents can cause system failures or service interruptions, directly affecting project timelines and leading to revenue loss.
3. Legal liability and fines:
Improper protection of customer information will lead to legal liability and penalties, resulting in huge losses for the company.
4. Loss of reputation and decline in customer trust:
Security incidents will tarnish the company's reputation, reducing customer trust and thereby affecting potential business growth and customer relationships.
5. Impact on investor confidence:
Cyber security incidents will reduce investor confidence in us, affecting the company's stock price and financing capability.

The company has been taking the following actions to address cyber security risks:

1. Risk assessment and management:
 - Devising a risk management strategy: Risk management mechanisms are aligned with the company's overall operating policy. Within an acceptable risk range, the company continuously adjusts and improves best practices for risk management in response to changes in the internal and external environment, protecting the interests of employees, shareholders, partners, and customers, increasing company value, and achieving optimal allocation of the company's resources.
 - Periodically conducting cyber security health checks and evaluations: Periodically conduct information security health checks and evaluations to identify potential security vulnerabilities and threats, assessing their financial impact.
2. Enhanced security measures:
 - Apply security technologies: Employ firewalls, intrusion detection systems, and data encryption.
 - Continuous updates: Periodically update systems and software to patch known security vulnerabilities.
3. Staff training:
 - Improve employees' safety awareness: Improve employees' awareness of risks such as phishing attacks and social engineering through regular social engineering drills and awareness campaigns.
 - Develop a clear security policy: Ensure that employees understand the company's cyber security policy and their responsibilities.
4. Incident response plan:
 - Develop and test the incident response plan: Ensure that in the event of a security incident, the company can promptly and effectively respond and recover.
 - Establish an incident response team: Information security personnel are responsible for addressing and investigating cyber security incidents.

5. Legal compliance management:
- Comply with relevant laws and standards: The company complies with all cybersecurity standards, including the “Information Security Management and Control Guidelines for the Exchange-Listed & OTC-Listed Companies” and the “Regulations Governing Establishment of Internal Control Systems by Public Companies.”
 - Regular audits and inspections: Ensure that security measures and compliance continue to meet requirements.
- (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. After mediation failed on May 19 of the same year, the case was sent back to the original court for further trial and evidence investigation. The case was returned to the original court for a continuation of the trial proceedings on July 31, 2023. The court concurred that the case required additional evaluation and thus transferred the case for supplementary expert examination. During the court session on November 6, 2023, the judge inquired whether both parties were open to engaging in mediation while awaiting the results of the supplementary expert examination. Both parties agreed, and the mediation date was scheduled for February 19, 2024. At the mediation on February 19, 2024, Feng-Tian, the opposing, company, did not actively participate in discussions. Furthermore, the settlement terms proposed by Feng-Tian's representative were deemed unacceptable to us. Consequently, the mediation was not successful. The case was returned to the original court to continue the trial proceedings on February 22, 2024. The judge decided that once the supplementary expert examination report is ready, he/she intends to consolidate the two cases for a joint conclusion of arguments. The next court session has been scheduled for June 20.

- (2). Royal Family Construction Engineering Co., Ltd. (hereinafter as "RF Construction") was commissioned to undertake a project of RSEA Engineering Corporation (privatized 2009), 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 Corporation (privatized 2009) 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 Corporation (privatized 2009) sent two letters urging RF Construction to return the rebars. Therefore, RSEA Engineering Corporation (privatized 2009) 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 Corporation (privatized 2009) NT\$3,090,000. RF Construction denied the ruling and filed an appeal. RSEA Engineering Corporation (privatized 2009) responded by filing an incidental appeal against RF Construction for the loss of NT\$1,787,000. RF Construction applied for an analysis. 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 (privatized 2009) 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. On January 29, 2024, the Supreme Court issued a ruling dismissing the CK Royal Construction's appeal. The decision was received on February 15 of the same year, finalizing the case.

- (3). RSEA Engineering Corporation (privatized 2009) 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 Corporation (privatized 2009) 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 Corporation (privatized 2009) 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 Corporation (privatized 2009) 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 Corporation (privatized 2009) 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 denied by the 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. The 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 Corporation (privatized 2009), 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 2014/5/29 to the termination of the contract on 2017/8/8. 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 11, May 9, and May 23, 2024.
 - (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 Corporation (privatized 2009) was defeated in the court of second instance. RSEA Engineering Corporation (privatized 2009) petitioned for an appeal to the court of third instance on September 14, with the correction procedure to take place on October 4. After being remanded for further adjudication by the Supreme Court as a third instance court, the case is now pending before the Civil Division of the High Court.
 - (5.3). With regards to RSEA Engineering Corporation (privatized 2009)’s undertaking of the Linkou Power Plant Renewal & Extension Project Basin Dredging and Reclamation of Taipei Port South Pier Zone Z, the subcontractor (the owner of Macon Charter B.V.) failed to perform the contract as per agreement, and both parties had different understandings regarding the project cost. The subcontractor filed a civil litigation case against RSEA Engineering Corporation (privatized 2009), requesting RSEA Engineering Corporation (privatized 2009) to pay them €2,947,032.44 (equivalent to NT\$106,063,697.51). The Case No. was 2017 Zhong-Su No. 998 and was changed to 2018 Diao-Bu-Yi No. 39 after it was transferred to the court of mediation. Later, the court, exercising its authority, moved the case from the mediation tribunal back to the litigation court. The court session on October 13, 2022 proceeded in the absence of the plaintiff. The defendant also chose not to present arguments and withdrew its counterclaim. Consequently, the judge dismissed the case due to the plaintiff’s failure to appear in court, despite having been lawfully notified for the second time. With both parties withdrawing their claims, the case is deemed as though it had never been filed and is therefore closed.

- (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, the judge instructed that the preliminary proceeding would conclude following the organization of the contentious issues. During the court session on May 12, the judge requested both parties to express their opinions on the submitted petition and also asked them to submit a summary of contentious issues and main defense points before the next session. Once these issues and points were clarified in the next session, both parties were required to submit a comprehensive import of oral argument statement expressing their intent. The next court session was scheduled for July 14. On July 14, the judge sorted out the contentious and non-contentious issues between the parties and ordered them to submit a comprehensive import of oral argument statement expressing their intent within one month. The court session on November 2 was presided over by a newly appointed judge assigned to conduct the evidence investigation process. After once again sorting out the contentious and non-contentious issues between the parties, the judge concluded the preliminary proceeding. During the court session on January 3, 2024, oral arguments were presented. After confirming the contentious issues, the judge concluded the oral arguments and scheduled the sentencing for January 24, 2024. On February 15, 2024, the judgment for the first remand for further adjudication was rendered and received. It ruled that the transfer of creditor's rights between Cheng-Lian and Xi-Hui was void, and that L&K was deemed a bona fide third party. Therefore, the project payment made by L&K to Xi-Hui prior to the filing of this lawsuit were valid. Only the outstanding portion of the retention fee amounting to NT\$3,120,487, which has not yet been paid to Xi-Hui, is required to be paid to Cheng-Lian. However, the court did not acknowledge L&K's claim to offset NT\$1,325,888 in deductions for substitute workers against the retention money. The appointed attorney believes that appealing this aspect of the offset still holds substantial merit. Therefore, an appeal was filed with the third instance court on February 29, 2024, and the case is currently pending before the Supreme Court of the R.O.C. (Taiwan).
- (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. On May 18, an application was made to the court for compulsory execution. On June 17, we received a notice from Xuan Yuan stating that a total of NT\$3,427,680, which includes principal, interest, and litigation-related fees for the settlement, was scheduled to be wired to us on the same day. Our finance team later confirmed receipt of the payment. On June 19, the Company filed a request with the Kaohsiung District Court to withdraw the compulsory enforcement. The case was therefore closed.

- (8). RSEA Engineering Corporation (privatized 2009) 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). On June 19, the Company filed a request with the Kaohsiung District Court to withdraw the compulsory enforcement. The case was therefore closed.

- (9). Asia Star Engineering Co., Ltd. undertook RSEA Engineering Corporation (privatized 2009)'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 Corporation (privatized 2009) overpaid Asia Star and Asia Star stopped the construction before it was completed. RSEA Engineering Corporation (privatized 2009) 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,. After Asia Star filed an appeal for a third instance trial on May 12, 2023, the case was pending before the Supreme Court. On December 5, the Supreme Court attempted to arrange another mediation session for the two parties. However, due to significant differences in their petitions, a successful mediation seemed unlikely. On February 15, 2024, Asia Star's lawyer called the court to declare the company's unwillingness to continue the mediation session. Consequently, the case remains pending before the Supreme Court of the R.O.C. (Taiwan).

- (10). Jan de Nul Group (hereinafter as "JDN") undertook RSEA Engineering Corporation

(privatized 2009)’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 Corporation (privatized 2009) 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 annulment of arbitration award with the Singapore court. On March 15, 2023, the preliminary opinions issued by the court of arbitration annulment was received, stating that the Company’s claim to annul the arbitration award was without merit. At that time, the court was calculating the distribution of litigation fees for the annulment of the arbitration award and required the Company to pay the litigation fees according to the court’s notification. The Company has since completed the payment of the litigation fees, and the case has been closed thereafter.

- (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 annul the arbitration award with the Shilin District Court on October 11, 2022. On December 12, 2022, the court moved the case to the mediation proceeding. However, neither the Company nor the Ministry of Culture accepted the proposed solution from the other party. Following the Chairman’s instructions, our appointed lawyer submitted a document to the court to state our position. Consequently, the scheduled mediation was canceled, and the case was returned to the court for trial proceedings. During the court session on June 5, 2023, both parties presented their opinions as requested by the judge. The judge publicly disclosed the evaluation of evidence, clarifying that the court was only addressing procedural matters, thereby concluding the oral argument phase. On July 5, 2023, the court dismissed the lawsuit filed by the plaintiff, which petitioned for the annulment of the arbitration award. On September 6, 2023, we received notification from the Taiwan

High Court that the Ministry of Culture had filed an appeal, which was then pending before the Taiwan High Court. During the court session on October 8, 2023, the Ministry of Culture raised objections regarding the judgment on the arbitration award and the scope of the supplementary agreement on dispute settlement. The judge then ordered both parties to provide written clarifications and scheduled the next court session for December 27, 2023. On November 29, 2023, the New Taipei District Court ruled in L&K's favor, authorizing compulsory execution against the Ministry of Culture as stipulated in the arbitration. The ruling was pending for the Ministry of Culture's decision on whether to comply with the payment as ordered or to file an appeal within 10 days. On December 18, 2023, we received a civil appeal petition from the Ministry of Culture. On December 26, 2023, we received a statement from the lawyer appointed by the Ministry of Culture, indicating that the Ministry of Culture is willing to first pay the full arbitrated amount of NT\$237,313,390 along with accrued interest. However, considering that this amount will be retained by the National Treasury for the Ministry of Culture only until December 31, 2023, in principle, if we agree to execute the agreement, the funds will be wired to L&K's account within two weeks following such execution. The Ministry of Culture hopes that following their completion of the payment, we will agree to withdraw the petition for compulsory execution from the court, thereby concluding the arbitration case concerning the liquidated damages of NT\$238,000,000 charged for project delays. In response, both parties plan to sign an agreement, currently pending funding from the National Treasury Agency of the Ministry of Culture. During the court session on December 27, 2023, both parties expressed their willingness to settle the case to the judge, who then ordered that after settling the case out of court, both parties should report back to the court to withdraw the petition. Regarding the agreement, upon discussions on December 27 and 28, 2023, both parties confirmed the terms of the agreement, payment details, receipt issuance, and other specifics, and entered into the agreement with seals on December 29, 2023. We will then wait for the Ministry of Culture to make the payment by January 15, 2024, in accordance with the agreement. Once the payment is made, the two parties will work together to finalize the closure of this case, including the withdrawal of the case and other related formalities.

- (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 the 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). On July 5, 2023, we received a notification from the New Taipei District Court informing us of the continuation of the trial. An oral argument proceeding was held on August 9, 2023. The judge has ordered that scheduling for the next court session be pending to allow for further review. The case is currently pending before the Taiwan New Taipei District Court.
- (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 an letter respectively to express their intention to participate in this case. On July 27, 2023, the judge sorted out the contentious and non-contentious issues between the parties and ordered them to submit a letter of complaint addressing the identified contentious issues. The next court session was scheduled for January 24, 2024. During the court session on January 24, 2024, a new judge was assigned to the case due to court rotation. The opposing party continued to argue that L&K Engineering was not authorized to sue on behalf of all suppliers involved in the joint tendering. They requested that the judge send an inquiry letter to WB to confirm whether WB was willing to allow L&K Engineering to file the lawsuit on its behalf. The judge stated that he/she would consider the defendant's petition and ordered that scheduling for the next court session be pending to allow for further review. The case is currently pending before the Taiwan New Taipei District Court.

- (14). RSEA Engineering Corporation (privatized 2009) undertook the Talin Power Plant coal storage turnkey project, during which a dispute over rent payment for steel sheet piles occurred between RSEA Engineering Corporation (privatized 2009) and its subcontractor Xusheng Construction Engineering Co., Ltd. On August 22, 2019, Xusheng filed civil lawsuit against the Company, requesting us to pay NT\$10,668,129 for the cost of the project. During the conclusion of the preparatory proceeding on January 14, 2021, 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 Corporation (privatized 2009) 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 Corporation (privatized 2009) shall pay in accordance with the judgment of the first instance, RSEA Engineering Corporation (privatized 2009) shall pay the appellant 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 petitioned to file a lawsuit within a time limit, we filed a lawsuit with the 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 2020/5/25, 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 Corporation (privatized 2009) 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. 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. On December 26, 2022, we submitted a response letter, refuting CTCI's claims regarding the improper interpretation of contract terms and the alleged insufficient consideration. We argued that their claims did not constitute a violation of the law and, therefore, should not be accepted as grounds for an appeal at the third instance. The case is currently pending before the Supreme Court of the R.O.C. (Taiwan).

- (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. In this case, CTCI initially requested a change of examiner after the first pre-examination quotation meeting. Following the court's approval, the examiner was changed again to the CONSTRUCTION MANAGEMENT ASSOCIATION OF THE REPUBLIC OF CHINA on May 22, 2023, to discuss the scope of the examination. After both parties reached an agreement on the examiner, CTCI submitted the necessary materials for examination on September 28, 2023. As of now, we have not received any further notifications.
- (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 Corporation (privatized 2009) 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 filed an appeal with the third-instance court within the statutory period, which the Supreme Court subsequently dismissed, thereby finalizing the case. For subsequent compensation and enforcement actions, negotiations will be conducted with the non-party, China Railway Construction Heavy Industry. Jinwei Xu, a Chinese Lawyer, has been commissioned to send a letter to China Railway Construction Heavy Industry requesting these negotiations, which are planned to be conducted during the repurchase of tunnel boring machines.

- (18). The Company, RSEA Engineering Corporation (privatized 2009) 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. On May 11, 2023, Tamkang University held the second analysis meeting. Both parties presented their opinions on the reasons for the extension of the construction period and responded to questions raised by the members of the analysis committee during the first analysis meeting. The analysis unit reported to the court that an analysis report was expected to be submitted by January 20, 2024. The next court session was scheduled for March 4, 2024. Tamkang University conducted the third analysis meeting on December 18, 2023. The analysis unit required both parties to address questions regarding the extension of the construction period, as well as other related questions, and to provide relevant information. The date for the fourth analysis presentation meeting is pending, awaiting notification from Tamkang University. The 14th oral argument in court is scheduled for June 3, 2024.
- (19). RSEA Engineering Corporation (privatized 2009) and Taiwan Power Company undertook the “National Exhibition and Convention Center (Taipei Nangang Exhibition Center Expansion) Construction Project”. Taiwan Power claimed that RSEA Engineering Corporation (privatized 2009) completed constructions later than the scheduled date. RSEA Engineering Corporation (privatized 2009) claimed that the delay is not attributable to RSEA and that reasons for such delay have been provided. Therefore, RSEA Engineering Corporation (privatized 2009) 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. The court has instructed the examination unit to conduct a supplementary examination. We have not yet received any notification regarding the outcome of this supplementary examination. Therefore, whether we win or lose remains unknown.

- (20). RSEA Engineering Corporation (privatized 2009) and the Company jointly undertook ACL212 Kaohsiung Railway Underground Project. RSEA Engineering Corporation (privatized 2009) 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 Corporation (privatized 2009) 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 stance ruled that Yangmen shall pay RSEA Engineering Corporation (privatized 2009) NT\$2,792,626. Because of the consideration of compulsory enforcement, RSEA Engineering Corporation (privatized 2009) 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 Corporation (privatized 2009) 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. In this case, following receipt of a court notification asking if a reduction in the auction price was acceptable, we have submitted a response agreeing to proceed with the auction at a reduced price. Despite this, the auction did not yield any results, and a credit certificate has been obtained. We will follow up regularly.
- (21). RSEA Engineering Corporation (privatized 2009) 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 Corporation (privatized 2009) to pay the project payment of NT\$10,199,744. RSEA Engineering Corporation (privatized 2009) 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. Project Technology filed an appeal against the case transfer, which the Kaohsiung District Court dismissed on March 6, 2023. Subsequently, the case was transferred to the Taipei District Court. This court has summoned relevant witnesses to clarify the contentious issues between the two parties. The next court session was scheduled for February 1, 2024. During the court session on February 1, 2024, although both parties agreed that an expert examination was not necessary for this case, the judge shared his evaluation of the evidence. He indicated that he was unable to make a judgment based on the current situation. Therefore, he requested Project Technology to submit its opinions in writing regarding the examination-related matters. Upon receiving these opinions, RSEA will respond in writing. The next court session was scheduled for April 25, 2024. The case is currently pending before the Taiwan 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 Corporation (privatized 2009). 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. This case is consolidated with case (23) in the same proceeding. If no consensus is reached between the two parties after mediation, the case will go to trial again. During the court session on September 19, the judge requested that the plaintiff, Hung Bao, submit a breakdown of the project payments received by L&K as soon as possible, including dates and amounts. Additionally, the judge informed the parties that witnesses Sung-Po Lin and Shih-Chun Yeh would be summoned for the next court session, which was scheduled for December 19, 2023. During the court session on December 19, both parties and the court respectively interrogated witnesses Sung-Po Lin and Shih-Chun Yeh. Hongbao's advocate stated that they wanted to file a separate petition to summon the owner's personnel to testify. The judge informed both parties that those who wish to investigate evidence need to submit a petition. This case has been reviewed by our appointed lawyer, who confirmed that the court sent an inquiry letter to TSMC, the owner, at the request of the opposing party. However, it is difficult to consider the content of the letter as unfavorable to us. After submitting a written explanation of our reasons, the next court session has been scheduled for April 16, 2024. The case is currently pending before the Taiwan Taipei District Court.

- (23). RSEA Engineering Corporation (privatized 2009) 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 (23)), 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 Corporation (privatized 2009) 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. If no consensus is reached between the two parties after mediation, the case will go to trial again. During the court session on January 18, 2024, both parties stated that there was no need to investigate the evidence. Oral arguments took place on March 14, 2024. However, given that the opposing party did not appear in court, the judge ordered that the verdict be announced on April 19, 2024. The case is currently pending before the Taiwan Taipei District Court.
- (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 Corporation (privatized 2009). 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 Corporation (privatized 2009) 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 Corporation (privatized 2009) 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 is closed because the court shall dismiss this case based on the plaintiff's withdrawal.

(25). RSEA Engineering Corporation (privatized 2009), 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 Corporation (privatized 2009) 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. Later, Cheng Kung University responded in writing to the Taipei District Court, stating that it was unable to conduct an examination. Therefore, the court convened a session on April 27, during which it instructed both parties to each propose their designated examination agencies. These agencies should access the case records provided by the court and communicate with their respective parties to arrange the examination. The examination process is still ongoing, and thus the outcome of the case remains unknown.

(26). RSEA Engineering Corporation (privatized 2009) 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 Corporation (privatized 2009) has reached the settlement with them in August, 2022, and settlement letters were signed. RSEA Engineering Corporation (privatized 2009) 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. The engineer, named Yu-Cheng Chuo, pleaded guilty to negligence in the execution of duties and was given a ruling of deferred prosecution. Instead of other penalties, the engineer was fined NT\$120,000 payable to the National Treasury; the Company has paid in full in September 2023. The remaining persons were not prosecuted. The case was subsequently closed. (Case No.: 2022 Zhen-Zi No. 6644).

- (27). RSEA Engineering Corporation (privatized 2009) 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 Corporation (privatized 2009), 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 Corporation (privatized 2009) 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 before the Taiwan Shilin District Court. The judge ordered a halt to the proceedings until the results of the examination in the criminal proceeding are available. The cross-examination is scheduled for April 24, 2024. (Case No.: 2021 Chong-Su-Zi No. 92)

- (28). In 2019, RSEA Engineering Corporation (privatized 2009) 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 between RSEA Engineering Corporation (privatized 2009), Mitsubishi Heavy Industries, Mitsubishi, 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 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, 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 Corporation (privatized 2009) to supplement their claims. The opinions that each party intends to supplement must be provided in writing and delivered to the Public Construction Commission by June 30. In principle, no mediation meeting will be held unless the Public Construction Commission member(s)

assigned to conduct the preliminary review have any opinions. On October 2, we were notified by the Public Construction Commission to submit an additional written supplement. We submitted the document on October 11, along with a joint written statement of change with Mitsubishi, requesting an amount of NT\$142,740,144 (tax included). The Public Construction Commission later determined that a payment of NT\$25,782,778 should be made to RSEA. Ultimately, we agreed to accept the mediation proposal and sent a letter to the Public Construction Commission on March 14, 2024. Mitsubishi and Taipower also expressed their agreement on March 15. Payment formalities will be processed upon receiving proof of the establishment of mediation.

- (29). After RSEA Engineering Corporation (privatized 2009)'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, 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. The case is currently adjudicated by Kaohsiung District Prosecutors Office.
- (30). On July 5, 2022, RSEA Engineering Corporation (privatized 2009) 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 and subsequently closed.
- (31). In the Nanhua Dam Sediment Sluiceway Tunnel Construction Project that RSEA Engineering Corporation (privatized 2009) 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, and the case is currently under adjudication by Taipei District Court. The first court session was on May 13. 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 April 12, 2024.

(32).1.Regarding the dispute over the construction period of the Nanhua Dam Sediment Sluiceway Tunnel Construction Project that RSEA Engineering Corporation (privatized 2009) 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.

(1) 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.

(2) The Public Construction Commission proposed mediation in March 2023, which was agreed to by the South Region Water Resources Office (the other party involved) in April. However, the Company disagreed with the proposal and proceeded to file a lawsuit in the Tainan District Court. This case is currently pending before the Tainan District Court (Case No.: 2023 Jian-Zi No. 34). On February 16, 2024, the Tainan District Court issued a letter designating the Tainan City Professional Civil Engineers Association as the examination agency. The examination process is still in progress, and the outcome remains unknown.

(33).In the project CE02-1, Xinzicheng Engineering Company and RSEA Engineering Corporation (privatized 2009) signed a right transfer letter to assign Xinzicheng's claims

and rights to rebars owned by RSEA Engineering Corporation (privatized 2009)'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 Tainan District Court, the court of the place of performance, but we argued that the jurisdiction should be moved to the Shilin District Court. The case was subsequently adjudicated by the Shilin District Court, which ruled in our favor in the first-instance trial on March 31, 2023. The case has since been closed.

- (34). During the Taiwan Life C3 Construction Project undertaken by RSEA Engineering Corporation (privatized 2009), a foreign migrant worker died in an occupational accident on September 19, 2022. A settlement agreement for this engineering safety accident was reached and signed through an intermediary and the Thailand Trade and Economic Office in Taiwan (appointed by the victim's family) on September 28, 2022. Compensation has been paid in accordance with the terms of the agreement. The criminal investigation (Case No.: 2023 Zhen-Zi No. 9058) regarding this occupational accident is still in progress at the Taipei Shilin Prosecutors Office, and the three defendants (Chairman Yao, Director Chin-Sheng Lin, and the foreign migrant worker Somchai) have received their summonses.

In the civil proceedings of the case, RSEA filed a lawsuit (2023 Jian-Zi No. 169) against the subcontractor Rongjun Engineering, which was responsible for towing and transporting trucks on the construction site, to recover damages for losses incurred due to their actions. Additionally, RSEA withheld the project payment owed to Rongjun Engineering. Rongjun Engineering filed a civil countersuit against RSEA (2023 Jian-Zi No. 188) to demand the release of the aforementioned project payment.

The next court session for case 2023 Jian-Zi No. 169 was scheduled for March 7, 2024, while the session for case 2023 Jian-Zi No. 188 was scheduled for January 9, 2024. During the court session on March 7, the judge confirmed that both parties were open to mediation and subsequently merged the case with case 2023 Jian-Zi No. 188 into one unified mediation process.

- (35). RSEA Engineering Corporation (privatized 2009) undertook the Talin Power Plant coal storage turnkey project and filed a lawsuit against its subcontractor Chern Feng Engineering for project payment concerning the Phase X steel structure construction, which included the rooftop of the second coal bunker, the roller belt conveyor tower, and the stair tower. The Taipei District Court adjudicated the case and, on February 10, 2023, rendered the judgment, ordering RSEA Engineering Corporation (privatized 2009) to pay NT\$12,982,702 along with interest accruing at an annual rate of 5% from August 25, 2020, until the payment is settled. The litigation costs were ordered to be equally shared by both parties. RSEA Engineering Corporation (privatized 2009) filed an appeal with the court on March 8, 2023. The preliminary proceeding began on July 6, 2023. The Taipei High Court dismissed the appeal on March 7, 2024. RSEA Engineering Corporation (privatized 2009) is currently consulting with the lawyer engaged in this case to discuss whether to pursue a further appeal.

- (36). RSEA Engineering Corporation (privatized 2009) undertook the CONTRACT CE02, Civil Engineering of Railway Technology Research and Verification Center, for which the owner (Railway Reconstruction Bureau) determined that the submission of the completion certificate by RSEA Engineering Corporation (privatized 2009) was delayed by 20 days. As a result of this delay, RSEA Engineering Corporation (privatized 2009) was fined a late penalty. RSEA Engineering Corporation (privatized 2009) argued that the supervision unit had conducted an onsite inspection on August 23, 2021, and both

the supervision unit and the contractor had signed the “Southern Region Engineering Office, Railway Bureau, MOTC, Completion Confirmation Inspection” form. While the late penalty of NT\$12,024,600 imposed on the contractor for failing to submit the completion certificate for review was indeed excessively high, the contractor’s failure to submit the report on time as agreed still constituted a breach deserving of a penalty. Therefore, the commission proposed reducing the late penalty fee. The Public Construction Commission recommended that the Railway Bureau reduce the late penalty fee to NT\$2,404,920 and issue a refund to the Company of NT\$9,619,680. Additionally, for the purpose of mediation, it was recommended that we waive any claim to interest and other remaining petitions related to this case. The mediation fee of NT\$100,000 was proposed to be borne by the Company. Both parties have agreed to the Public Construction Commission’s mediation proposal, resulting in the refund of the originally deducted late penalty fee totaling NT\$9,619,680. The case is now concluded.

- (37). RSEA Engineering Corporation (privatized 2009) undertook the “ACL212 Kaohsiung Railway Underground (Cut and Cover Construction) Project,” during which, due to fluctuations in material prices and significant increases in the scope of design, it submitted an application to the Public Construction Commission, Executive Yuan, to seek mediation with the owner (Railway Reconstruction Bureau) regarding adjustments to the unit prices specified in the original contract. On August 30, 2023, RSEA Engineering Corporation (privatized 2009) received the mediation recommendations issued by the Public Construction Commission: “It is recommended that the counterparty (Railway Bureau) and the applicant negotiate new prices for each building. The mediation fee of NT\$1,000,000 is proposed to be borne by the Company.” On October 3, 2023, RSEA Engineering Corporation (privatized 2009) received a letter from the owner addressed to the Public Construction Commission, agreeing to the mediation recommendations. Subsequently, the Southern Administration Center was responsible for recompiling the new unit prices and budget, managing the renegotiations with the owner, and handling other relevant tasks. The Southern Administration Center reported that they would schedule a meeting on October 16 to negotiate the unit price adjustments with the owner. The execution of these details was delegated to the administration center. This case regarding the dispute over the original contract’s fulfillment has now been concluded.
- (38). RSEA, contracted for the Sanying Line Metro Turnkey Project, was served with a complaint from Taipower in September 2023, petitioning for damages for the destruction of their cable lines. The New Taipei District Court tried this case. The first court session was held on November 21, 2023. Taipower later expanded its claim to include operating losses. On March 15, 2024, RSEA received the first-instance judgment, which was rendered in its favor.
- (39). RSEA, contracted for the Sanying Line Metro Turnkey Project, was served with a civil complaint by Xiucheng Engineering Company, a subcontractor of Shulong Company, petitioning for the project payment of NT\$574,800. The case is pending before the Shilin District Court. RSEA submitted its answer to civil complaint on December 29, 2023, and is now awaiting the court’s scheduling of the trial date.
- (40). RSEA Engineering Corporation (privatized 2009) undertook the Taoyuan International Airport Terminal 3 Building Civil Engineering Construction Turnkey Project, and on December 26, 2023, provided a security of NT\$3,625,000 for its subcontractor, Kuntai Company, which had purchased concrete mixer trucks from the third party, Chung Sheeng Co., Ltd. This provision of security demonstrated RSEA Engineering

Corporation (privatized 2009)'s agreement to suspend enforcement actions by Chung Sheeng Co., Ltd. concerning the alleged outstanding debt of NT\$14,500,000 for truck purchases. Also on December 26, 2023, RSEA Engineering Corporation (privatized 2009) filed an objection lawsuit against Chung Sheeng Co., Ltd. The case is currently pending before the Taoyuan District Court, awaiting the scheduling of the next court session.

- (41). RSEA Engineering Corporation (privatized 2009) and L&K Engineering jointly undertook the ACL212 Kaohsiung Railway Underground Project and intended to claim the costs of hiring substitute workers to repair a TV wall from its subcontractor, Unitel High Technology Corporation (later renamed to JC INC). On March 21, 2024, L&K Engineering filed a complaint with the Taiwan Taipei District Court, where the case is currently being adjudicated.
- (42). In June 2019, L&K Engineering filed a lawsuit against Hangzhou Semiconductor Wafer Co., Ltd. (hereinafter referred to as: Hangzhou Semiconductor Wafer) at the Hangzhou Intermediate People's Court over a construction contract dispute. L&K Engineering asserted that the two parties had entered into a construction contract in December 2018, under which Hangzhou Semiconductor Wafer contracted the project to L&K Engineering. Although L&K Engineering executed the construction in accordance with the contract, Hangzhou Semiconductor Wafer unjustifiably obstructed the continuation of the work, resulting in a failure to fulfill the contract. L&K Engineering petitioned the court to terminate the construction contract and to order Hangzhou Semiconductor Wafer to pay for the project fee and damages, totaling RMB 128,389,718.39. The Hangzhou Intermediate People's Court made a first-instance judgment on November 12, 2021, ordering Hangzhou Semiconductor Wafer to pay L&K Engineering engineering fees of RMB 109,130,752.08 (excluding warranty deposit) and corresponding interest. The judgment also granted L&K Engineering priority in the project payment. Both parties were dissatisfied with the first-instance judgment and have subsequently filed appeals. The Zhejiang Provincial Higher People's Court remanded the case for retrial on May 24, 2022 due to unclear facts. On April 13, 2023, L&K Engineering received a judgment from the Hangzhou Intermediate People's Court, which ruled that Hangzhou Semiconductor Wafer must pay L&K Engineering the project fee of RMB 110,407,991.83, corresponding interest, and examination fee. The judgment also granted L&K Engineering priority in the project payment. Both L&K Engineering and Hangzhou Semiconductor Wafer were dissatisfied with the judgment and appealed. The Zhejiang Provincial High Court rendered a final decision in August 2023, ordering Hangzhou Semiconductor Wafer to pay L&K Engineering the project fee of RMB 111,925,264.73 and corresponding interest. Hangzhou Semiconductor Wafer paid all amounts specified in the judgment to L&K Engineering on September 7, 2023.
- (43). On June 13, 2019, Hangzhou Semiconductor Wafer filed a lawsuit against L&K Engineering at the Hangzhou Intermediate People's Court over a construction contract dispute. Hangzhou Semiconductor Wafer claimed that it had entered a construction contract with L&K Engineering in December 2018, under which the project was contracted to L&K Engineering. Hangzhou Semiconductor Wafer alleged that L&K Engineering breached the contract during construction by failing to complete the project in the stipulated construction period and making unauthorized brand changes, which led Hangzhou Semiconductor Wafer to unilaterally terminate the contract. Hangzhou Semiconductor Wafer sought to recover RMB 69,000,000 in liquidated damages from L&K Engineering. The court rendered a first-instance judgment on October 19, 2020, dismissing all Hangzhou Semiconductor Wafer's claims. Hangzhou

Semiconductor Wafer was dissatisfied with the first-instance judgment and appealed. The second-instance court found certain facts to be unclear and remanded the case to the original trial court for retrial. Upon retrial, the Hangzhou Intermediate People's Court rendered a first-instance judgment on December 26, 2022, once again dismissing all Hangzhou Semiconductor Wafer's claims. Hangzhou Semiconductor Wafer was dissatisfied with the first-instance judgment and appealed. The Zhejiang Provincial High Court, in its second-instance ruling, dismissed Hangzhou Semiconductor Wafer's appeal and upheld the original verdict.

- (44). In November 2022, the Shenzhen Longgang People's Court accepted two cases filed by L&K Engineering against Shenzhen Royole Display Technologies Co., Ltd. (hereinafter referred to as "Royole Display"), Shanghai Baoye Group Corp., Ltd. (hereinafter referred to as "Baoye"), and Shenzhen Royole Technologies Co., Ltd. (hereinafter referred to as "Royole Co.") over construction contract disputes. L&K Engineering asserted that on July 4, 2017, it had entered into the "Clean Package 1 Construction Contract for the Royole Display Technologies Co., Ltd. Quasi-G6 Flexible Display Production Line Project" (hereinafter referred to as the "Clean Package 1 Construction Contract"), "Clean Package 2 Construction Contract for the Royole Display Technologies Co., Ltd. Quasi-G6 Flexible Display Production Line Project" (hereinafter referred to as the "Clean Package 2 Construction Contract") with Royole Display, Baoye, and Royole Co. Under the contracts, Royole Display contracted the project to Baoye, which then subcontracted the Clean Package 1 and Clean Package 2 construction projects to L&K Engineering. L&K Engineering fulfilled its contractual obligations by completing the construction, whereas Royole Display and Baoye failed to comply with the contract by not making the required payments for the engineering fees. L&K Engineering petitioned the court to recover from Royole Display and Baoye RMB 7,557,173.35 with corresponding interest for the Clean Package 1 construction, and RMB 6,532,704.60 with corresponding interest for the Clean Package 2 construction. Additionally, L&K Engineering requested that Royole Co. be held jointly and severally liable for the debts of Royole Display. On June 12, 2023, L&K Engineering received the first-instance judgments from the Longgang Court. The court ruled that Royole Display must pay engineering fees of RMB 7,557,173.35 and RMB 6,532,704.60, along with their corresponding interest for the two construction contracts. The judgments also confirmed L&K Engineering's priority rights to these payments and ordered Royole Co. to assume joint and several liability for Royole Display's debts. After the aforementioned judgments were rendered, none of the parties appealed and the judgments are now in effect. However, Royole Co. failed to comply with the terms of the judgment as promised. Therefore, L&K Engineering has submitted an application to the court for compulsory execution.
- (45). In April 2023, L&K Engineering filed a lawsuit against Tripod (Hubei) Electronic Co., Ltd. (hereinafter referred to as "Tripod Electronic") at the People's Court in Xiantao City, Hubei Province, over a construction contract dispute. L&K Engineering asserted that the two parties had entered into a construction contract on August 13, 2020, under which Tripod Electronic contracted the M&E project (MEP construction) to L&K Engineering. L&K Engineering fulfilled its contractual obligations by completing the construction, whereas Tripod Electronic failed to comply with the contract by not making the required payments for project acceptance and for the engineering fees incurred due to additional work. In response, L&K Engineering has filed a lawsuit petitioning the court for payment from Tripod Electronic for a total of RMB 20,405,725.77, covering engineering fees, accrued interest, and lawyer's fee. Upon the court's mediation, L&K Engineering and Tripod Electronic entered into a civil mediation agreement. Under this agreement, Tripod Electronic shall pay the

outstanding engineering fees to L&K Engineering in installments and cover L&K Engineering's lawyer fee, security fee, and other associated costs.

- (46). On October 18, 2023, the Jinan Arbitration Commission accepted a construction contract arbitration case filed by L&K Engineering against the First Company of China Eighth Engineering Bureau Ltd. (hereinafter referred to as "the First Company of China Eighth Engineering Bureau"). L&K Engineering asserted that the two parties had entered into a "Construction Engineering Subcontract (Clean Package 2A (Main Plant Building L10/20))." Under the contract, it was agreed that the First Company of China Eighth Engineering Bureau would subcontract the applicant, L&K Engineering, to handle the design, equipment, materials manufacturing and procurement, transportation, on-site installation, commissioning, inspection and acceptance, and maintenance of systems related to interiors, ventilation, HVAC water, electric, plumbing process pipes, fire protection, and automation within the L10/20 scope of the main plant building, which is part of the First Company of China Eighth Engineering Bureau's contracted project. The total contract price, including taxes, was RMB 420,000,000. As of March 2022, L&K Engineering had completed work verified by the respondent totaling RMB 414,979,148.24. Except for a few spare parts yet to be handed over, all other construction tasks were finished. The subcontracted work was ready for acceptance and handover. However, on April 22, 2022, all construction tasks were unexpectedly put to a halt as notified by the construction unit, and the power supply for the construction was suspended. This situation led to the inability to conduct necessary testing, acceptance, and handover of the subcontracted project, with no signs of resumption to date. L&K Engineering had completed work worth more than RMB 414,979,148.24, but the First Company of China Eighth Engineering Bureau had only paid RMB 261,888,271.57. Consequently, L&K Engineering filed for arbitration in accordance with applicable laws, regulations, and judicial interpretations. Through mediation by the arbitration tribunal, both parties entered into a mediated agreement, stipulating that the First Company of China Eighth Engineering Bureau would make scheduled payments totaling RMB 134,280,000 to L&K Engineering. The performance of this agreement is currently ongoing.
- (47). In February 2023, L&K Engineering filed a lawsuit against Shenzhen Mingjiang System Technology Co., Ltd. (hereinafter referred to as Mingjiang) at the Donghu New Technology Development Area People's Court of Wuhan City over a construction contract dispute. L&K Engineering asserts that Mingjiang, which had undertook a subcontract from L&K Engineering, failed to execute the construction according to the agreed schedule and withdrew from the project midway. L&K Engineering is petitioning the court to recover RMB 923,080.08 from Mingjiang, arguing that the payments made to Mingjiang exceed the value of the work actually completed on the project. The first-instance court rendered its judgment in March 2024. L&K Engineering was dissatisfied with the decision and has subsequently filed an appeal. The second-instance review of the case is currently in progress.
- (48). In August 2023, L&K Engineering filed a lawsuit against United BioPharma Inc. (Yangzhou) (hereinafter referred to as United BioPharma) at the People's Court of Hanjiang District of Yangzhou City over a construction contract dispute. L&K Engineering asserts that on September 18, 2018, the two parties entered in to a "Construction Contract for the Mechanical, Electrical, and Cleanroom Installation at the Biopharmaceutical R&D and Production Base." Under the contract, it was agreed that United BioPharma would contract the mechanical, electrical, and cleanroom installation to L&K Engineering. L&K Engineering fulfilled its contractual obligations by completing the construction, whereas United BioPharma failed to comply with the

contract by not making the required payments for project acceptance and for the engineering fees incurred due to additional work. In response, L&K Engineering has filed a lawsuit petitioning the court for payment from United BioPharma for the engineering fees and accrued interest, totaling RMB 16,210,403.21. The case is currently ongoing and a judgment has yet to be rendered.

- (49). In October 2023, L&K Engineering filed an arbitration proceeding against Royole Display Technologies Co., Ltd. (hereinafter referred to as “Royole Display”) at the Shenzhen Court of International Arbitration over a construction contract dispute. In February 2019, L&K Engineering, as the contractor, and Royole Display, as the employer, entered into the “General Electric Engineering Contract for the Royole Display Technologies Co., Ltd. Quasi-G6 Flexible Display Production Line Project” (hereinafter referred to as the “General Electric Engineering Contract”). Under this contract, Royole Display would contract the general electric engineering works for the Quasi-G6 Flexible Display Production Line Project to L&K Engineering, setting the total contract price for the works at RMB 26,500,000. The pricing was established using a fixed all-in unit rate algorithm, settled based on actual spending. The payment method agreed upon by both parties is as follows: 85% of the payments would be made as progress payment, 97% of the balance would be paid upon settlement, following the completion and successful acceptance, and the remaining 3% would serve as retention money for a warranty period of two years. L&K Engineering executed the construction according to the agreed schedule. Upon completion, the works were formally inspected and accepted by Royole Display, and have since been put into use. Upon settlement at the completion of the construction, the total cost was determined to be RMB 27,889,622.57. To date, Royole Display has only paid RMB 22,817,443.62, resulting in an outstanding balance of RMB 5,072,178.95. Despite multiple demands for payment, this balance remains unpaid. Consequently, L&K Engineering initiated the arbitration proceeding. As of now, the proceeding has yet to begin.
- (50). In January 2024, L&K filed a lawsuit against Unicompound Semiconduct Corporation (hereinafter referred to as “Unicompound”) and S.Y. Technology, Engineering & Construction Co., Ltd. (hereinafter referred to as “S.Y.”) at the People’s Court of Hanjiang District of Putian City over a construction contract dispute. In August 2016, Unicompound entered into an EPC contract with S.Y. for the construction of a gallium arsenide (GaAs) and gallium nitride (GaN) project (i.e., the Phase 1 6-inch GaAs IC Chip Production Line). Unicompound later subcontracted the M&E engineering, steel structure reinforcement, and other relevant tasks to L&K Engineering as part of this EPC project. L&K Engineering executed the construction according to the agreed schedule. Upon completion, the works were formally inspected and accepted by Unicompound, and have since been put into use. Upon settlement at the completion of the construction, it was determined that L&K Engineering incurred a total cost of over RMB 178,610,000. To date, the two defendants have only paid RMB 151,220,000, resulting in an outstanding balance of RMB 27,392,519.43. Despite multiple demands for payment, this balance remains unpaid. Consequently, L&K Engineering filed this lawsuit. As of now, the court proceedings have yet to begin.
- (51). In February 2023, L&K Engineering filed a lawsuit in the Wuhan Intermediate People’s Court regarding a construction contract dispute with Wuhan Tianma Micro-Electronics Co., Ltd. (hereinafter referred to as “Tianma”). On July 15, 2016, L&K Engineering and Tianma entered into the “Wuhan Tianma Gen 6 LTPS TFT-LCD and CF Production Project: Cleanroom Bid Lot 1 - M1 (ARRAY) Installation and Construction Contract,” setting the contract price at RMB 181,319,000. To further clarify their respective rights, obligations, and responsibilities, L&K Engineering and

Tianma signed a “Supplementary Agreement to the ‘Wuhan Tianma Gen 6 LTPS TFT-LCD and CF Production Project: Cleanroom Bid Lot 1 - M1 (ARRAY) Installation and Construction Contract’” on January 26, 2018. This supplementary agreement increased the contract price by an additional RMB 17,190,000, maintaining the same payment terms as the initial “Installation and Construction Contract.” Moreover, multiple “Site Instruction (Negotiation) Forms” were executed between L&K Engineering and Tianma, each confirmed through signatures and seals by both parties. Following Tianma’s requirements, L&K Engineering conducted additional work on the project in question, including reinforcement and upgrades, resulting in additional construction costs of RMB 7,290,824.97. L&K Engineering completed the installation and construction on time, and the work has since been handed over to Tianma and is now in operation. Despite this, Tianma has failed to settle the outstanding construction costs without providing any justification. Multiple attempts by L&K Engineering to recover the debts have yielded no results. As of the lawsuit filing date, Tianma still owed L&K Engineering a total of RMB 66,871,602.10 in construction costs, including amounts specified under both the “Wuhan Tianma Gen 6 LTPS TFT-LCD and CF Production Project: Cleanroom Bid Lot 1 - M1 (ARRAY) Installation and Construction Contract” and the “Supplementary Agreement,” totaling RMB 59,580,777.13, and RMB 7,290,824.97 incurred by additional work for the project under the multiple “Site Instruction (Negotiation) Forms.” L&K Engineering filed a lawsuit to protect its legitimate rights and interests. At the same time, Tianma filed a counterclaim at the Wuhan Intermediate People’s Court, requesting the court to order L&K Engineering to compensate Tianma for losses incurred, including liquidated damages and lawyer’s fee, totaling RMB 78,528,659.9.

On February 6, 2024, the Wuhan Intermediate People’s Court made a first-instance judgment with the following decisions: 1. The defendant (counterclaim plaintiff), Tianma, is ordered to pay L&K Engineering (counterclaim defendant) an engineering fee of RMB 63,237,805.41 and the accrued interest; 2. The plaintiff (counterclaim defendant), L&K Engineering, is ordered to pay the defendant (counterclaim plaintiff), Tianma, liquidated damages of RMB 2,000,000; 3. All other claims filed by the plaintiff (counterclaim defendant), L&K Engineering, are dismissed. 4. All other claims filed by the defendant (counterclaim plaintiff), Tianma, are dismissed.

After the first-instance judgment was made, both L&K Engineering and Tianma filed appeals. The case is now in the second instance and has been accepted for review by the Hubei High People’s Court in Wuhan. A final judgment has not yet been rendered.

- (52). In April 2024, Suzhou Xiang Sheng filed a lawsuit in the People’s Court of Siming District, Xiamen City, regarding a sales contract dispute with Sanan Optoelectronics (hereinafter referred to as “Sanan”). In 2015, Suzhou Xiang Sheng and Sanan had entered into a “Commercial Contract for the Procurement of Equipment and Materials for the M&E Turnkey Project” for the Xiamen Sanan Optoelectronics Communication Microelectronic Devices (Phase 1) Project: M&E Turnkey Project (hereinafter referred to as the M&E Turnkey Project). Under the contract, it was mutually agreed that BB Company was contracted to supply all necessary equipment and materials for the M&E Turnkey Project to AA Company. The total fixed price for the equipment and materials under the contract, including 17% VAT, is RMB 84,700,000. After the aforementioned contract was signed, Suzhou Xiang Sheng supplied the equipment and materials according to the agreed terms. Upon installation, the equipment was formally inspected and accepted by Sanan, and has since been put into use. However, upon the expiration of the warranty period, Sanan has not settled the remaining payment to Suzhou Xiang Sheng, leaving an outstanding balance of RMB 4,235,000.00. Suzhou Xiang Sheng filed a lawsuit to protect its legitimate rights and interests. As of now,

court proceedings have yet to begin.

- (53). In April 2024, L&K Engineering filed a lawsuit in the People's Court of Tong'an District, Xiamen City, regarding a construction contract dispute with Sanan Optoelectronics (hereinafter referred to as "Sanan"). In January 2015, L&K Engineering and Sanan had entered into a "Construction Contract for an M&E Turnkey Project" for the Xiamen Sanan Optoelectronics Communication Microelectronic Devices (Phase 1) Project: M&E Turnkey Project (hereinafter referred to as the "M&E Project"). Under the contract, it was mutually agreed that Sanan would contract the M&E Project to L&K Engineering, with a tax-inclusive total price of RMB 58,860,000. The contract stipulates a fixed total price. The payment method agreed upon by both parties includes a 30% advance payment, 35% in progress payments to be made monthly, 30% upon completion and formal acceptance, and 5% as retention money with a warranty period of two years. After the aforementioned contract was signed, L&K Engineering executed the construction according to the agreed terms. Upon completion, the works were formally inspected and accepted by Sanan, and have since been put into use. During the construction process, Sanan expanded the scope of the works by adding some construction elements. Upon calculation, these additions incurred additional engineering costs of RMB 7,880,100 outside the original contract, bringing the total final cost of the project to RMB 66,740,100. However, upon the expiration of the warranty period, San'an only paid RMB 54,135,900.38. After deducting an electricity fee of RMB 42,970.5 incurred during construction, which was advanced by the defendant for L&K Engineering, the remaining project payment remains unsettled, leaving an outstanding balance of RMB 6,405,509.12. L&K Engineering filed a lawsuit to protect its legitimate rights and interests. As of now, court proceedings have yet to begin.

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

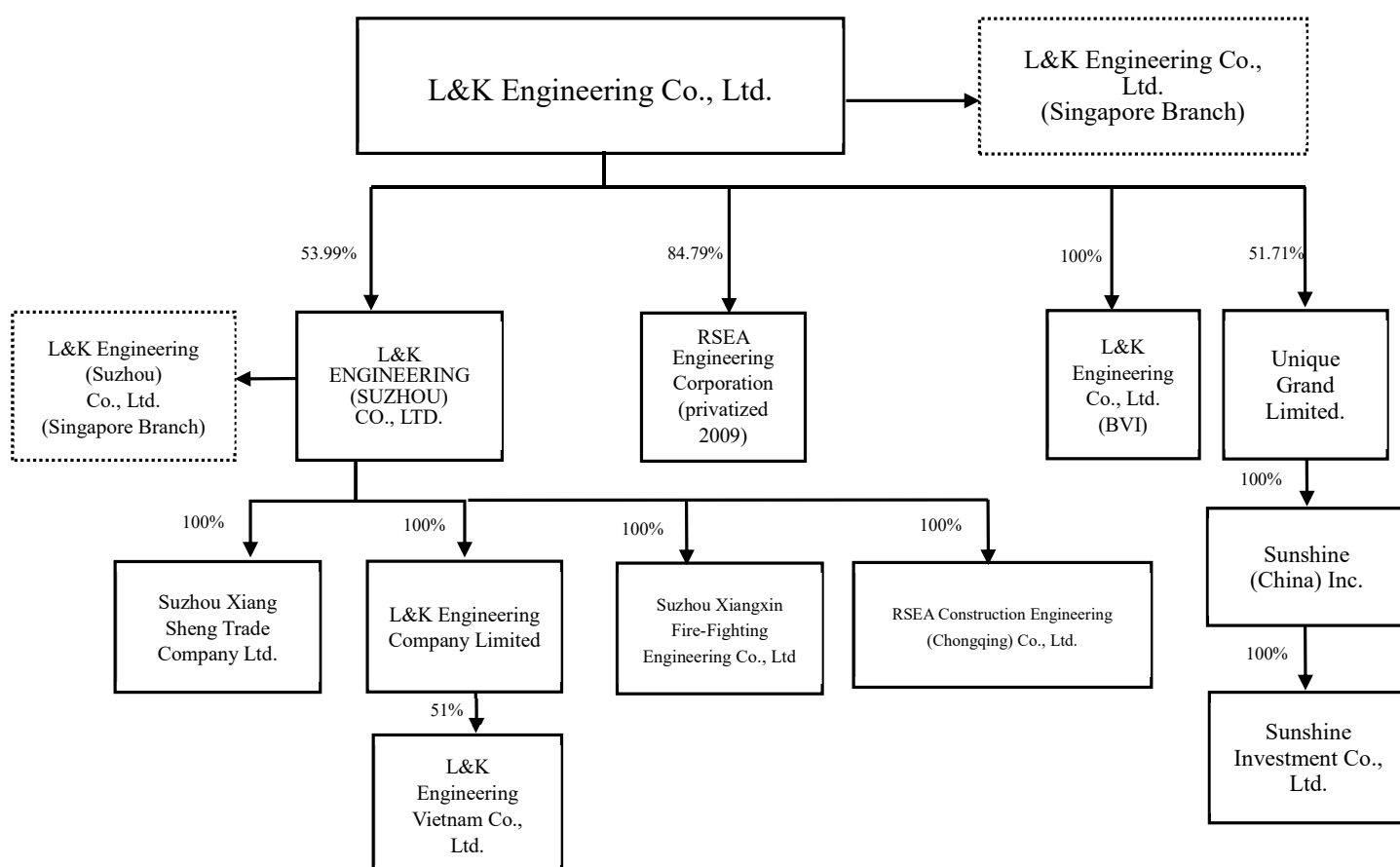
(I) Consolidated financial statements of affiliates

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 2023 (2023/1/1 to 2023/12/31) the Company shall no longer prepare separate consolidated financial statements of affiliates.

(II) Consolidated Business Report of Affiliates

1. Organization Chart of Affiliates

2023/12/31



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	670,422	-	670,422	-	-973	18,700	-
L&K Engineering (SUZHOU) Co., Ltd.	923,849	15,136,716	8,750,561	6,386,155	15,500,896	17,471,402	1,415,223	1.34
RSEA Construction Engineering (Chongqing) Co., Ltd.	567,737	543,333	19,920	523,413	55,099	-51,198	-34,806	-
RSEA Engineering Corporation (privatized 2009)	3,728,411	14,225,664	10,040,154	4,185,510	14,919,480	88,661	72,987	0.22
L&K Engineering Vietnam Co., Ltd.	154,969	318,088	112,494	205,594	130,721	58,450	57,367	-
Unique Grand Limited	3,536,595	2,326,674	340,893	1,985,781	-	-75	-75,844	-
Suzhou Xiang Sheng Trade Company Ltd.	86,600	171,256	16,207	155,049	-	-5,321	-1,940	-
L&K Engineering Company Limited	153,625	355,056	50,165	304,891	63,540	6,038	35,520	-
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	86,600	31,535	-	31,535	-	-1	376	-
Sunshine (China) Inc.	3,066,355	2,697,619	1,049,022	1,648,597	-	-20,781	-60,579	-
Sunshine Investment Co., Ltd.	2,286,240	2,351,889	654,353	1,697,536	-	-39,966	-39,965	-

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	923,849	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	567,737	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	Binh Thanh, Ho Chi Minh City	154,969	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	3,728,411	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	86,600	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	153,625	Import and export trading, client development, after-sales service.
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	2018.04.27	Suzhou Industrial Park	86,600	Fire-fighting constructions, maintenance, and sale of fire-fighting equipment.
Sunshine (China) Inc.	2010.02.24	Xingyizhen, Xinjin County, Chengdu	3,066,355	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	2,286,240	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.

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, 2023 and 2022**

**Address: 5F, No. 17, Lane 120, Sec. 1, Neihu Rd., Neihu District,
Taipei, Taiwan, R.O.C.**

Tel: 886-2-2657-8998

Fax: 886-2-2657-6554

E-mail: FD1300@lkeng.com.tw

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, 2023 and 2022
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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, 2023 and 2022, the related consolidated statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2023 and 2022.

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, 2023 and 2022, and the results of its operations and cash flows for the years ended December 31, 2023 and 2022, 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 the Standards on Auditing of 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, 2023. 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\$13,920,274 thousand and NT\$13,980,020 thousand, constituting 25.61% and 28.52% of consolidated total assets as of December 31, 2023 and 2022, total liabilities of NT\$9,598,686 thousand and NT\$10,464,090 thousand, constituting 24.74% and 28.90% of consolidated total liabilities as of December 31, 2023 and 2022,

and total operating revenues of NT\$14,908,220 thousand and NT\$12,627,993 thousand, constituting 26.20% and 35.33% of consolidated total operating revenues for the years ended December 31, 2023 and 2022. 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, 2023 and 2022, 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 Standards on Auditing of 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 Standards on Auditing of 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, 2023 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 13, 2024

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, 2023 and 2022

Unit : NT\$1,000

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
<u>Current Assets</u>						<u>Current Liabilities</u>					
1100	Cash and cash equivalents (Note 6(1))	\$ 13,385,751	26	\$ 9,955,154	20	2100	Short-term borrowings (Note 6(15)&7(2))	\$ 1,441,379	3	\$ 2,032,051	4
1110	Financial assets at fair value					2110	Short-term notes and bills payable (Note 6(16))	599,233	1	1,297,538	3
	through profit or loss - current (Note 6(2))	246,467	-	192,358	-	2130	Liabilities of contract - current (Note 6(26))	13,420,818	25	18,157,517	37
1140	Contract assets - current (Note 6(26)&7(2))	12,216,870	22	11,145,251	23	2150	Notes payable	11,506	-	191,903	-
1150	Notes receivable, net (Note 6(3))	36,320	-	301,927	1	2170	Accounts payable	19,627,992	35	10,750,808	21
1170	Accounts receivable, net (Note 6(3))	11,964,823	22	5,889,922	12	2180	Accounts payable - related parties (Note 7(2))	268	-	273	-
1200	Other receivables, net (Note 6(4))	380,010	1	30,820	-	2200	Other payables	889,464	2	716,694	1
1220	Current tax assets	591,540	1	249,758	1	2220	Other payables - related parties (Note 7(2))	294,784	1	26,592	-
130X	Inventories, net (Note 6(5))	696,177	1	695,400	1	2230	Current tax liabilities	639,336	1	284,274	1
1410	Prepayments (Note 6(6))	6,204,101	11	10,870,088	22	2250	Provisions - current (Note 6(17))	413,476	1	259,780	1
1476	Other financial assets - current (Note 6(7))	3,541,401	7	4,562,367	9	2280	Lease liability (Note 6(18))	49,566	-	77,544	-
1479	Other current assets	31,977	-	42,852	-	2320	Long-term borrowings - current portion (Note 6(19))	7,230	-	326,907	1
11XX	Total Current Assets	49,295,437	91	43,935,897	89	2399	Other current liabilities	210,829	-	151,721	-
						21XX	Total Current Liabilities	37,605,881	69	34,273,602	69
<u>Noncurrent Assets</u>						<u>Noncurrent Liabilities</u>					
1510	Financial assets at fair value					2540	Long-term borrowings (Note 6(19)&7(2))	519,830	1	1,331,719	3
	through profit or loss - non-current (Note 6(2))	97,946	-	4,620	-	2570	Deferred income tax liabilities (Note 6(30))	400,622	1	276,936	1
1517	Financial assets at fair value through other comprehensive income (Notes 6(8))	598,158	1	515,431	1	2580	Lease liabilities - non-current (Note 6(18))	12,311	-	58,720	-
1550	Investments accounted for using the equity method (Note 6(9))	-	-	-	-	2640	Accrued pension cost (Note 6(20))	29,786	-	29,512	-
1600	Property, plant and equipment, net (Note 6(10))	795,204	1	847,439	2	2645	Guarantee deposits received	225,668	-	235,436	-
1755	Right-of-use assets (Note 6(11))	2,655,264	5	2,827,594	6	25XX	Total Noncurrent Liabilities	1,188,217	2	1,932,323	4
1760	Investment property, net (Note 6(12))	97,688	-	99,939	-	2XXX	Total Liabilities	38,794,098	71	36,205,925	73
1780	Intangible assets (Note 6(13))	28,637	-	31,128	-						
1840	Deferred income tax assets (Note 6(30)(D))	297,812	1	271,247	1	<u>Equity Attributable to Shareholders of the Parent</u>					
1980	Other financial assets - non-current (Note 6(7)&7(2))	212,709	-	206,883	-	3100	Capital stock				
1985	Other long-term investments (Note 6(14))	276,525	1	276,480	1	3110	Common stock (Note 6(21))	2,255,409	4	2,255,409	5
1995	Other noncurrent assets	2,385	-	1,584	-	3200	Capital surplus (Note 6(22))	2,861,062	5	2,853,613	6
15XX	Total Noncurrent Assets	5,062,328	9	5,082,345	11	3300	Retained earnings (Note 6(23))				
						3310	Legal reserve	1,326,100	2	1,225,456	2
						3320	Special reserve	133,708	-	362,153	1
						3350	Unappropriated earnings	4,358,396	8	2,132,806	4
						3400	Others (Note 6(24))	(5,261)	1	(133,708)	1
						31XX	Equity Attributable to Shareholders of the Parent	10,929,414	20	8,695,729	19
						36XX	<u>Noncontrolling Interests</u> (Note 6(25))	4,634,253	9	4,116,588	8
						3XXX	Total Equity	15,563,667	29	12,812,317	27
1XXX	Total Assets	\$ 54,357,765	100	\$ 49,018,242	100	3X2X	Total Liabilities and Equity	\$ 54,357,765	100	\$ 49,018,242	100

(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, 2023 and 2022

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

	For the Years Ended December 31,			
	2023		2022	
	Amount	%	Amount	%
4000 Operating Revenue (Note 6(26)&7(2))	\$ 56,904,659	100	\$ 35,738,886	100
5000 Operating Costs	(51,748,425)	(91)	(33,001,985)	(94)
5900 Gross Profit	5,156,234	9	2,736,901	6
6000 Operating Expenses				
6100 Selling expenses (Note 6(28))	(18,102)	-	(22,287)	-
6200 General and administrative expenses (Note 6(28)&7(2))	(1,000,083)	(2)	(728,843)	(2)
6300 Research and development expenses	(185,001)	-	(137,234)	-
6450 Expected credit loss/benefit (Note 6(27))	60,267	-	(231,358)	(2)
Total operating expenses	(1,142,919)	(2)	(1,119,722)	(4)
6900 Net Operating Income	4,013,315	7	1,617,179	2
7000 Non-operating Income and Expenses				
7100 Interest income (Note 6(29))	494,200	1	91,135	-
7010 Other income (Note 6(29))	76,245	-	41,113	-
7020 Other gains and losses (Note 6(29))	22,324	-	17,287	1
7050 Finance costs (Note 6(29))	(68,787)	-	(62,718)	-
7060 Share of profits of associates and joint venture by using the equity method (Note 6(9))	-	-	-	-
Total non-operating income and expenses	523,982	1	86,817	1
7900 Income before Income Tax	4,537,297	8	1,703,996	3
7950 Income Tax Expense (Note 6(30))	(993,956)	(2)	(419,973)	-
8200 Net Income	3,543,341	6	1,284,023	3
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(20))	(2,048)	-	9,134	-
8316 Unrealized loss on investments in instruments at fair value through other comprehensive income (Note 6(8)&6(24))	170,947		73,227	
8349 Income tax relating to the components of other comprehensive income - items that will not be reclassified to profit or loss (Note 6(30))	410	-	(1,827)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences arising on translation of foreign operations	(115,280)	-	247,445	-
8399 Income tax benefit (expense) related to components of other comprehensive income (Note 6(30))	10,619	-	(38,820)	-
8300 Other comprehensive income (loss) for the period, net of income tax	64,648	-	289,159	-
8500 Total Comprehensive Income for the Period	\$ 3,607,989	6	\$ 1,573,182	3
8600 Net Income (Loss) Attributable to:				
8610 Owners of the parent	\$ 2,888,820		\$ 999,138	
8620 Noncontrolling interests	\$ 654,521		\$ 284,885	
8700 Total Comprehensive Income (Loss) Attributable to:				
8710 Owners of the parent	\$ 3,015,629		\$ 1,233,747	
8720 Noncontrolling interests	\$ 592,360		\$ 339,435	
9750 Basic Earnings Per Share (Note 6(31))	\$ 12.81		\$ 4.43	
9850 Diluted Earnings Per Share (Note 6(31))	\$ 12.74		\$ 4.40	

(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, 2023 and 2022

Unit : NT\$1,000

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

Items	Equity Attributable to Shareholders of the Parent									
	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings		Other Equity		Total	Noncontrolling Interests	Total Equity
				Special Capital Reserve	Unappropriated Earnings	Accumulated Balances of Exchange Differences on Translating Foreign Operations	Gain/Loss on financial assets measured at fair value through other comprehensive income			
Balance, January 1, 2023	\$ 2,255,409	\$ 2,853,613	\$ 1,225,456	\$ 362,153	\$ 2,132,806	\$ (231,024)	\$ 97,316	\$ 8,695,729	\$ 4,116,588	\$ 12,812,317
Appropriation of prior year's earnings:										
Legal reserve	-	-	100,644	-	(100,644)	-	-	-	-	-
Special reserve	-	-	-	(228,445)	228,445	-	-	-	-	-
Cash dividends	-	-	-	-	(789,393)	-	-	(789,393)	-	(789,393)
Net income for the year ended December 31, 2023	-	-	-	-	2,888,820	-	-	2,888,820	654,521	3,543,341
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	(1,638)	(42,500)	170,947	126,809	(62,161)	64,648
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	2,887,182	(42,500)	170,947	3,015,629	592,360	3,607,989
From share of changes in equities of subsidiaries	-	7,449	-	-	-	-	-	7,449	(7,449)	-
Increase (Decrease) in noncontrolling interests	-	-	-	-	-	-	-	-	(67,246)	(67,246)
Balance, December 31, 2023	\$ 2,255,409	\$ 2,861,062	\$ 1,326,100	\$ 133,708	\$ 4,358,396	\$ (273,524)	\$ 268,263	\$ 10,929,414	\$ 4,634,253	\$ 15,563,667

(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, 2023 and 2022

Unit : NT\$1,000

	For the Years Ended December 31,	
	2023	2022
<u>Cash Flows from Operating Activities</u>		
Income before income tax	\$ 4,537,297	\$ 1,703,996
Adjustments for		
Depreciation expense	222,178	156,637
Amortization expense	13,062	9,080
Expected credit loss (reversal)	(60,267)	231,358
Loss (gain) on financial assets at fair value through profit or loss	(60,898)	109,934
Interest expense	68,787	62,718
Interest income	(494,200)	(91,135)
Dividend income	(20,972)	(22,272)
Loss on lease modification	(173)	-
Loss (gain) on disposal of property, plant and equipment	355	(120)
Share-based payments	5,200	-
Changes in operating assets and liabilities:		
Decrease (increase) in current contract assets	(787,538)	(784,580)
Decrease (increase) in notes receivable	262,580	(49,942)
Decrease (increase) in accounts receivable	(6,366,848)	(43,739)
Decrease (increase) in other receivables	(337,247)	57,960
Decrease (increase) in inventories, net	(1,632)	95,105
Decrease (increase) in prepayments	4,647,995	(8,489,896)
Decrease (increase) in other current assets	10,842	7,517
Increase (decrease) in current contract liabilities	(4,760,717)	13,240,325
Increase (decrease) in notes payable	(178,676)	220
Increase (decrease) in accounts payable	8,984,222	1,514,438
Increase (decrease) in accounts payable - related parties	-	(1,332)
Increase (decrease) in other payables	173,360	228,233
Increase (decrease) in provisions	153,696	46,633
Increase (decrease) in other current liabilities	31,416	(2,763)
Increase (decrease) in accrued pension liabilities	(1,774)	(1,926)
Cash generated from operations	<u>6,040,048</u>	<u>7,976,449</u>

(To be continued)

L&K Engineering Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (Cont'd)
For the Years Ended December 31, 2023 and 2022

Unit : NT\$1,000

	For the Years Ended December 31,	
	2023	2022
Interest received	\$ 481,185	\$ 78,944
Dividend received	20,972	22,272
Interest paid	(63,511)	(54,426)
Income tax paid	(872,424)	(460,492)
Net Cash Provided by (Used in) Operating Activities	<u>5,606,270</u>	<u>7,562,747</u>
<u>Cash Flows from Investing Activities</u>		
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)
Acquisitions of investment property	-	(284)
Acquisitions of property, plant and equipment	(35,647)	(152,587)
Proceeds from disposal of property, plant and equipment	819	718
Acquisitions of intangible assets	(10,368)	(19,316)
Decrease (increase) in other financial assets	<u>1,008,190</u>	<u>(1,312,358)</u>
Net Cash Provided by (Used in) Investing Activities	<u>962,994</u>	<u>(1,576,677)</u>
<u>Cash Flows from Financing Activities</u>		
Increase (decrease) in short-term debt	(587,812)	466,787
Increase (decrease) in short-term notes and bills payable	(700,000)	(350,000)
Increase in long-term notes and bills payable	250,000	2,697,388
Decrease in long-term notes and bills payable	(1,375,687)	(2,774,104)
Increase (decrease) in other payables - related parties	272,470	-
Increase (decrease) in guarantee deposit received	(9,746)	13,165
Cash dividend paid	(789,393)	(338,311)
Increase (decrease) in noncontrolling interests	(72,444)	(48,499)
Payment of lease liabilities	<u>(86,451)</u>	<u>(28,433)</u>
Net Cash Generated by (Used in) Financing Activities	<u>(3,099,063)</u>	<u>(362,007)</u>
Effect of exchange rate changes	<u>(39,604)</u>	<u>112,008</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,430,597	5,736,071
Cash and Cash Equivalents at Beginning of Period	<u>9,955,154</u>	<u>4,219,083</u>
Cash and Cash Equivalents at End of Period	<u>\$ 13,385,751</u>	<u>\$ 9,955,154</u>

(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, 2023 and 2022
(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 13, 2024.

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, 2023. 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:

New Standards or Amendments	The Main Amendments	Effective Date
(a) 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, 2024
(b) 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
(c) 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
(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.	January 1, 2024

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) 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. 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.	January 1, 2023

New Standards or Amendments	The Main Amendments	Effective Date
(C) Lack of Exchangeability – Amendments to IAS 21	These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.	January 1, 2025

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, 2023	December 31, 2022
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)	84.79%	83.65%
"	Unique Grand Limited	51.71%	51.71%
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 investment.
- (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 a holding company.
- (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) 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%.

(b) Cash capital increase of RSEA Engineering Corporation (privatized 2009) was resolved in the board of directors' meeting held on September 26, 2023, to issue 50,000 thousand shares with a par value \$10 dollars per share issuance price of \$10.5 per share. October 10, 2023 was the base date for cash subscription, and the registration was completed on December 15, 2023. The board of directors of the Company approved participating in the cash capital increase of RSEA Engineering Corporation (privatized 2009) on October 6, 2023. The Company unproportionally subscribed 46,093 thousand shares, at \$483,978 thousand, causing the shareholding ratio changed from 83.65% to 84.79%.

(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

For inventories, assets arising from construction contracts, deferred income tax assets, assets arising from employee benefits, non-current assets classified as held for sale, and non-financial assets other than biological assets, assess whether impairment has occurred at the end of each reporting period. If any of those indications is present, an estimate of recoverable amount is made. If the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated to assess impairment.

The recoverable amount is the higher of an individual asset's or cash-generating unit's fair value less costs of disposal and its value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, the carrying amount of the individual asset or cash-generating unit is adjusted to reduce to the recoverable amount, and an impairment loss is recognized. Impairment losses are recognized immediately in profit or loss for the period. It is reassessed at the end of each reporting period whether there are indications that impairment losses recognized in prior years for non-financial assets other than goodwill may have ceased to exist or have decreased. If there is any change in the estimate used to determine the recoverable amount, the impairment loss is reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, but not more than the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are regularly tested for impairment every year, and impairment losses are recognized for the part whose recoverable amount is lower than the book value.

For the purposes of impairment testing, goodwill arising from a business combination is allocated to each cash-generating unit (or group of cash-generating units) of the Group that is expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is lower than its book value, the impairment loss is firstly reduced to the book value of the goodwill that has been allocated to the cash-generating unit, and secondly apportioned in proportion to the book value of each asset in the unit. The recognized goodwill impairment loss cannot be reversed in subsequent periods.

(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, 2023	Dec. 31, 2022
Cash on hand	\$ 4,249	\$ 3,653
Savings accounts	7,635,708	4,285,715
Time deposits	5,745,794	5,411,914
Cash equivalents – commercial paper	-	253,872
Total	<u>\$ 13,385,751</u>	<u>\$ 9,955,154</u>

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

Items	Dec. 31, 2023	Dec. 31, 2022
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 246,467	\$ 192,358
Foreign bank debentures	4,620	4,620
Limited Partnership	93,326	-
Total	<u>\$ 344,413</u>	<u>\$ 196,978</u>

Items	Dec. 31, 2023	Dec. 31, 2022
Financial assets at fair value through profit or loss - current	<u>\$ 246,467</u>	<u>\$ 192,358</u>
Financial assets at fair value through profit or loss – non-current	<u>\$ 97,946</u>	<u>\$ 4,620</u>

	For the Years Ended December 31,	
Items	2023	2022
Revaluation profit or (loss) of financial assets mandatorily measured at fair value through profit or loss	<u>\$ 60,898</u>	<u>\$ (109,934)</u>

(3) Accounts and Notes Receivable, net

(A) Details are as follows:

Items	Dec. 31, 2023	Dec. 31, 2022
Notes receivable	\$ 36,345	\$ 301,952
Accounts receivable	12,573,585	6,270,940
Total	12,609,930	6,572,892
Less: Loss allowance	(608,787)	(381,043)
Net	\$ 12,001,143	\$ 6,191,849

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, 2023							
	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%~10%	0.1%~4%	0.1%~10%	10%	10%~25%	10%~100%	-
Total amount	\$ 9,724,700	\$ 193,067	\$ 89,844	\$ 149,614	\$ 325,256	\$ 922,257	\$ 1,205,192	\$ 12,609,930
Loss allowance	(142,904)	(14,240)	(3,594)	(11,969)	(32,525)	(190,201)	(213,354)	(608,787)
Amortized cost	\$ 9,581,796	\$ 178,827	\$ 86,250	\$ 137,645	\$ 292,731	\$ 732,056	\$ 991,838	\$ 12,001,143
	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%	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

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, 2023	Dec. 31, 2022
Neither past due nor impaired	\$ 9,581,796	\$ 4,021,098
Past due but not impaired:		
Past due 0~60 days	178,827	910,551
Past due 61~90 days	86,250	3,987
Past due 91~180 days	137,645	135,779
Past due 181~365 days	292,731	79,936
Past due over 366 days	1,723,894	1,040,498
Total	<u>\$ 12,001,143</u>	<u>\$ 6,191,849</u>

(4) Other Receivables, net

(A) Details are as follows:

Items	Dec. 31, 2023	Dec. 31, 2022
Other receivables	\$ 382,890	\$ 41,612
Less: loss allowance	(2,880)	(10,792)
Net	<u>\$ 380,010</u>	<u>\$ 30,820</u>

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

Items	For the Years Ended December 31,	
	2023	2022
Beginning balance	\$ 10,792	\$ 15,809
The amount charged or reversed for the period	(3)	(825)
The amount written-off for the period	(7,909)	(4,225)
Effect of exchange rate change	-	33
Ending balance	<u>\$ 2,880</u>	<u>\$ 10,792</u>

(5) Inventories, net

Items	Dec. 31, 2023	Dec. 31, 2022
Supplies	\$ 16,568	\$ 20,011
Merchandise	38,522	44,116
Construction in progress	-	631,273
Property for sale	641,087	-
Total	<u>\$ 696,177</u>	<u>\$ 695,400</u>

The market price decline and obsolete loss reversal profit for inventories amounted to \$0 for the years ended December 31, 2023 and 2022.

(6) Prepayments

Items	Dec. 31, 2023	Dec. 31, 2022
Prepaid expenses	\$ 109,927	\$ 107,989
Advance payments	5,586,820	10,078,232
Other prepayments	507,354	683,867
Total	<u>\$ 6,204,101</u>	<u>\$ 10,870,088</u>

(7) Other Current Financial Assets

Items	Dec. 31, 2023	Dec. 31, 2022
Time deposits with maturities of more than three months	\$ 673,496	\$ 700,526
Restricted assets	2,867,905	3,861,841
Guarantee deposits paid	212,709	206,883
Total	<u>\$ 3,754,110</u>	<u>\$ 4,769,250</u>

Items	Dec. 31, 2023	Dec. 31, 2022
Other financial assets - current	<u>\$ 3,541,401</u>	<u>\$ 4,562,367</u>
Other financial assets - noncurrent	<u>\$ 212,709</u>	<u>\$ 206,883</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, 2023	Dec. 31, 2022
Equity instrument investments:		
Listed companies stocks	\$ 450,033	\$ 218,942
Unlisted companies stocks	148,125	296,489
Total	<u>\$ 598,158</u>	<u>\$ 515,431</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,	
	2023	2022
Fair value through other comprehensive income – equity instrument		
The variation recognized as fair value through other comprehensive income	<u>\$ 170,947</u>	<u>\$ 73,227</u>
The derecognition of accumulated profit or loss into retained earnings	<u>\$ -</u>	<u>\$ -</u>

(9) Investment Accounted for Using the Equity Method

Investee company	December 31, 2023		
	Cost	Ownership percentage	Carrying amount
Formosa Medical Devices Inc.	\$ 49,036	40.88%	\$ 8,776
Less: Accumulated impairments	-		(8,776)
Net	<u>\$ 49,036</u>		<u>\$ -</u>

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	<u>\$ 49,036</u>		<u>\$ -</u>

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, 2023 and 2022, the carrying amount of the Group's individually immaterial associates amounted to \$0.

(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, 2023 and 2022 were as follows:

For the Year Ended December 31, 2023:

Cost	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Land	\$ 136,554	\$ -	\$ -	\$ -	\$ -	\$ 136,554
Buildings	695,136	-	-	(555)	(2,720)	691,861
Machinery and equipment	187,645	5,620	-	(1,768)	(1,024)	190,473
Computer equipment	98,074	10,221	-	(11,172)	(986)	96,137
Transportation equipment	224,354	16,578	-	(4,734)	(963)	235,235
Office equipment	27,259	-	-	(180)	(14)	27,065
Leasehold improvements	7,031	2,436	-	-	-	9,467
Other equipment	671,424	755	-	(504)	(208)	671,467
Construction in process	46,803	37	-	-	(860)	45,980
Total	<u>\$ 2,094,280</u>	<u>\$ 35,647</u>	<u>\$ -</u>	<u>\$ (18,913)</u>	<u>\$ (6,775)</u>	<u>\$ 2,104,239</u>

Accumulated depreciation	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Buildings	\$ (269,166)	\$ (24,439)	\$ -	\$ 555	\$ 2,466	\$ (290,584)
Machinery and equipment	(127,262)	(17,742)	-	1,122	710	(143,172)
Computer equipment	(59,369)	(12,093)	-	10,956	538	(59,968)
Transportation equipment	(115,520)	(21,360)	-	4,423	688	(131,769)
Office equipment	(24,225)	(617)	-	180	27	(24,635)
Leasehold improvements	(6,915)	(425)	-	-	-	(7,340)
Other equipment	(644,384)	(7,836)	-	503	150	(651,567)
Total	<u>\$ (1,246,841)</u>	<u>\$ (84,512)</u>	<u>\$ -</u>	<u>\$ 17,739</u>	<u>\$ 4,579</u>	<u>\$ (1,309,035)</u>

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>

Carrying amount	Dec. 31, 2023	Dec. 31, 2022
Land	\$ 136,554	\$ 136,554

Carrying amount	Dec. 31, 2023	Dec. 31, 2022
Buildings	401,277	425,970
Machinery and equipment	47,301	60,383
Computer equipment	36,169	38,705
Transportation equipment	103,466	108,834
Office equipment	2,430	3,034
Leasehold improvements	2,127	116
Other equipment	19,900	27,040
Construction in progress	45,980	46,803
Total	<u>\$ 795,204</u>	<u>\$ 847,439</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, 2023 and 2022 were as follows:
For the Year Ended December 31, 2023:

<u>Cost</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	\$ 2,966,441	\$ -	\$ -	\$ -	\$ (52,539)	\$ 2,913,902
Buildings	102,004	24,056	-	(44,663)	1,065	82,462
Transportation equipment	1,467	6,646	-	(395)	(23)	7,695
Total	<u>\$ 3,069,912</u>	<u>\$ 30,702</u>	<u>\$ -</u>	<u>\$ (45,058)</u>	<u>(51,497)</u>	<u>\$ 3,004,059</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	\$ (222,103)	\$ (78,906)	\$ -	\$ -	\$ 3,975	\$ (297,034)
Buildings	(19,388)	(55,829)	-	25,325	(503)	(50,395)
Transportation equipment	(827)	(797)	-	241	17	(1,366)
Total	<u>\$ (242,318)</u>	<u>\$ (135,532)</u>	<u>\$ -</u>	<u>\$ 25,566</u>	<u>3,489</u>	<u>\$ (348,795)</u>

For the year ended December 31, 2022:

<u>Cost</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	\$ 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)	1,467
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>

	Beginning			Disposal /	Effect of	
Accumulated depreciation	balance	Additions	Reclassification	Transfer	exchange rate	Ending balance
					changes	
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>
Carrying amount	Dec. 31, 2023	Dec. 31, 2022				
Land	\$ 2,616,868	\$ 2,744,338				
Buildings	32,067	82,616				
Transportation equipment	6,329	640				
Total	<u>\$ 2,655,264</u>	<u>\$ 2,827,594</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, 2023 and 2022 were as follows:

For the year ended December 31, 2023:

Cost	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Investment - land	\$ 68,001	\$ -	\$ -	\$ -	\$ -	\$ 68,001
Investment - building	70,299	-	-	-	(555)	69,744
Accumulated depreciation - investment	(38,361)	(2,134)	-	-	438	(40,057)
Net	<u>\$ 99,939</u>	<u>\$ (2,134)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (117)</u>	<u>\$ 97,688</u>

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 Years Ended December 31,

	2023	2022
(B) Rent revenue of investment property	<u>\$ 5,531</u>	<u>\$ 5,178</u>

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

(D) The fair value of investment properties was \$230,146 thousand and \$215,612 thousand, respectively, on December 31, 2023 and 2022. The evaluation was based on independent experts' reports, which adopted the market value method.

(13) Intangible Assets

For the year ended December 31, 2023:

Items	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Computer software	\$ 102,451	\$ 10,368	\$ -	\$ (1,041)	\$ (1,003)	\$ 110,775
Trademark	832	-	-	-	(15)	817
Goodwill	2,041	-	-	-	-	2,041
Technology	110,282	-	-	-	(2,025)	108,257
Total	<u>\$ 215,606</u>	<u>\$ 10,368</u>	<u>\$ -</u>	<u>\$ (1,041)</u>	<u>\$ (3,043)</u>	<u>\$ 221,890</u>

Accumulated amortization	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of exchange rate changes	Ending balance
Computer software	\$ (73,514)	\$ (12,485)	\$ -	\$ 1,041	\$ 650	\$ (84,308)
Trademark	(682)	(19)	-	-	13	(688)
Technology	(110,282)	-	-	-	2,025	(108,257)
Total	<u>\$ (184,478)</u>	<u>\$ (12,504)</u>	<u>\$ -</u>	<u>\$ 1,041</u>	<u>\$ 2,688</u>	<u>\$ (193,253)</u>

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>

Carrying amount	Dec. 31, 2023	Dec. 31, 2022
Computer software	\$ 26,467	\$ 28,937
Trademark	129	150
Goodwill	2,041	2,041
Technology	-	-
Total	<u>\$ 28,637</u>	<u>\$ 31,128</u>

(14) Other Long-Term Investments

Items	Dec. 31, 2023	Dec 31, 2022
Other long-term investments	\$ 276,525	\$ 276,480

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, 2023	Dec 31, 2022
Unsecured bank loan	\$ 1,288,530	\$ 1,876,343
Other short-term loans	152,849	155,708
Total	\$ 1,441,379	\$ 2,032,051
Interest rate	0%~2.22%	0%~3.89%

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, 2023	Dec. 31, 2022
Short-term notes payable	\$ 600,000	\$ 1,300,000
Less: discounts on notes payable	(767)	(2,462)
Net	\$ 599,233	\$ 1,297,538
Interest rate	1.6%~1.86%	1.73%~2.208%

(17) Provisions**For the Year Ended December 31, 2023**

Items	Warranties	Employee benefit	Total
Balance, January 1	\$ 244,752	\$ 15,028	\$ 259,780
Increase in the period	161,212	2,308	163,520
Use in the period	(9,824)	-	(9,824)
Balance, December 31	\$ 396,140	\$ 17,336	\$ 413,476

For the Year Ended December 31, 2022

Items	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

Items	Dec. 31, 2023	Dec. 31, 2022
Current		
Employee benefit	\$ 17,336	\$ 15,028
Warranties	396,140	244,752
Total	\$ 413,476	\$ 259,780

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, 2023			
Items	Future minimum	Interest	Present value of
	lease payments		future minimum
Current	\$ 50,881	\$ 1,315	\$ 49,566
Noncurrent	12,597	286	12,311
Total	<u>\$ 63,478</u>	<u>\$ 1,601</u>	<u>\$ 61,877</u>

Dec. 31, 2022			
Items	Future minimum	Interest	Present value of
	lease payments		future minimum
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>

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

Items affecting profit or loss	For the Years Ended December 31,	
	2023	2022
Interest expense on lease liabilities	<u>\$ 2,545</u>	<u>\$ 894</u>
Expense on short-term leases contracts	<u>\$ 103,964</u>	<u>\$ 104,105</u>
Expense on low-value lease assets contracts	<u>\$ 8,774</u>	<u>\$ 4,498</u>

(B) The Group's total cash outflow for leases in 2023 and 2022 was \$201,734 thousand and \$137,930 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, 2023	Dec. 31, 2022
Secured bank loan	\$ 78,341	\$ 207,583
Unsecured bank loan	200,000	1,200,000
Other long-term borrowings	255,470	260,249
Less: current portion due in one year or one operating cycle	(7,230)	(326,907)
Unamortized deferred sponsorship fees	(6,751)	(9,206)
Net	\$ 519,830	\$ 1,331,719
Interest rate	0%~2.094%	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 \$50,731 thousand and \$48,146 thousand for the years ended December 31, 2023 and 2022 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 \$866 thousand and \$703 thousand for the years ended December 31, 2023 and 2022 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,	
	2023	2022
Current service cost	\$ 499	\$ 428
Net interest expense	367	275
Components of defined benefit costs recognized in profit or loss	866	703
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(534)	(5,123)
Actuarial gains and losses arising from experience adjustments	1,603	1,862
Actuarial gains and losses arising from changes in financial assumptions	891	(5,882)
Actuarial gains and losses arising from change in demographics assumption	88	9
Components of defined benefit costs recognized in other comprehensive income	2,048	(9,134)
Total	\$ 2,914	\$ (8,431)

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

Items	Dec. 31, 2023	Dec. 31, 2022
Present value of defined benefit obligation	\$ 94,437	\$ 94,298
Fair value of plan assets	(64,651)	(64,786)
Net defined benefit liability	\$ 29,786	\$ 29,512

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

Items	For the Years Ended December 31,	
	2023	2022
Beginning balance	\$ 94,298	\$ 103,727
Current service cost	499	428
Interest expense	1,213	704
Benefit paid from plan assets	(4,155)	(6,550)
Actuarial gains and losses arising from experience adjustments	1,603	1,862
Actuarial gains and losses arising from change in demographics assumption	88	9
Actuarial gains and losses arising from changes in financial assumptions	891	(5,882)
Ending balance	<u>\$ 94,437</u>	<u>\$ 94,298</u>

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

Items	For the Years Ended December 31,	
	2023	2022
Beginning balance	\$ 64,786	\$ 63,156
Expected return of plan assets	846	429
Contributions from employer	2,640	2,628
Benefit paid from plan assets	(4,155)	(6,550)
Return on plan assets	534	5,123
Ending balance	<u>\$ 64,651</u>	<u>\$ 64,786</u>

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

Year	Amount
2024	\$ 2,420
2025	5,125
2026	3,056
2027	13,546
2028	3,735
Over 2029	76,939

The Company expects to make a contribution of \$2,631 thousand to the defined benefit pension plan within one year from December 31, 2023.

The weighted average duration of the defined benefit plan was 9 years on December 31, 2023.

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

Items	Pension plan	
	Dec. 31, 2023	Dec. 31, 2022
Cash	100%	100%
Equity instruments	-	-
Debt instruments	-	-
Others	-	-

The actual reward of the plan assets in 2023 and 2022 were \$1,381 thousand and \$5,552 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, 2023 and 2022 as follows:

Items	Dec. 31, 2023	Dec. 31, 2022
Deposit in financial institutions	15.62%	16.34%
Loan to government and government-owned enterprises	-	-
Investment of stock and beneficiary certificate	11.79%	12.89%
Short-term bills	4.79%	4.11%
Government bonds, financial bonds, and corporate bond	7.59%	6.49%
Overseas investment	49.64%	50.16%
Others	10.57%	10.01%

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

Items	Dec. 31, 2023	Dec. 31, 2022
Discount rate	1.20%	1.30%
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, 2023	
	Increase	Decrease
Effect on the defined benefit obligation	\$ (2,209)	\$ 2,288

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

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

	For the Year Ended December 31, 2023	
	Increase	Decrease
Effect on the defined benefit obligation	\$ 2,262	\$ (2,197)

	For the Year Ended December 31, 2022	
	Increase	Decrease
Effect on the defined benefit obligation	\$ 2,363	\$ (2,292)

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, 2023	Dec. 31, 2022
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, 2023	Dec. 31, 2022
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	13,127	5,678
Total	<u>\$ 2,861,062</u>	<u>\$ 2,853,613</u>

(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:
- Payments of all taxes, if any
 - To offset prior year's deficit, if any
 - To set aside 10% of the remaining amount as legal reserve after deducting items
 - To set aside special reserve, if required
 - To set aside an amount for dividends
 - 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 2022 had been resolved in the shareholders' meeting held on June 26, 2023. The appropriations of earnings for 2021 had been resolved in the shareholders' meeting held on June 24, 2022. The appropriations and dividends per share were as follows:

Items	For the Years Ended December 31,			
	2022		2021	
	Amount	Per share (dollar)	Amount	Per share (dollar)
Legal reserve	\$ 100,644		\$ 32,693	
Special reserve	-		-	
Cash dividends	789,393	\$ 3.5	338,311	\$ 1.5
Total	<u>\$ 890,037</u>	<u>\$ 3.5</u>	<u>\$ 371,004</u>	<u>\$ 1.5</u>

The appropriations of earnings of 2023 was resolved in the board of directors' meeting held on March 13, 2024. The appropriation included legal reserve \$288,718 thousand and cash dividends \$2,092,868 thousand (\$9 dollars per share).

- (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,	
	2023	2022
Beginning balance	\$ (231,024)	\$ (386,242)
Increase in the period	(53,125)	192,879
Income tax	10,625	(38,804)
Changes in ownership interests in subsidiaries	-	1,143
Ending balance	<u>\$ (273,524)</u>	<u>\$ (231,024)</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,	
	2023	2022
Beginning balance	\$ 97,316	\$ 24,089
Valuation of profit (loss) for the period	170,947	73,227
Disposal of financial assets	-	-
Income tax	-	-
Ending balance	<u>\$ 268,263</u>	<u>\$ 97,316</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,	
	2023	2022
Beginning balance	\$ 4,116,588	\$ 3,597,890
Net income (loss)	654,521	284,885
Foreign currency translation reserve	(62,155)	54,566
Related income tax of foreign currency translation	(6)	(16)
Changes in ownership interests in subsidiaries	(7,449)	(5,678)
Increase/decrease in non-controlling interests	(67,246)	184,941
Ending balance	<u>\$ 4,634,253</u>	<u>\$ 4,116,588</u>

(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, 2023	Dec. 31, 2022
Unique Grand Limited and subsidiaries	Hong Kong	<u>48.29%</u>	<u>48.29%</u>
Current assets		\$ 86,200	\$ 100,584
Non-current assets		2,648,998	2,749,295
Current liabilities		(493,731)	(496,439)
Non-current liabilities		(255,687)	(260,470)
Total net assets		<u>\$ 1,985,780</u>	<u>\$ 2,092,970</u>
Accumulate non-controlling interests		<u>\$ 958,933</u>	<u>\$ 1,010,695</u>

	For the Years Ended December 31,	
	2023	2022
Statements of comprehensive income:		
Sales	\$ -	\$ -
Net income	\$ (75,844)	\$ (78,237)
Other comprehensive income for the period, net of income tax	(31,345)	5,323
Total comprehensive income for the period	\$ (107,189)	\$ (72,914)
The Company's net income attributable to the non-controlling interests in the subsidiary	\$ (36,625)	\$ (37,670)
The Company's other comprehensive income attributable to the non-controlling interests in the subsidiary	(15,137)	2,909
The Company's total comprehensive income attributable to the non-controlling interests in the subsidiary	\$ (51,762)	\$ (34,761)
Dividend received from subsidiaries	\$ -	\$ -

	For the Years Ended December 31,	
	2023	2022
Statements of cash flows:		
Cash flows from operating activities	\$ (27,322)	\$ (28,762)
Cash flows from investing activities	(3)	(70)
Cash flows from financing activities	6,356	3,481
Effect of exchange rate changes	7,848	14,498
Net increase (decrease) in cash and cash equivalents	(13,121)	(10,853)
Cash and cash equivalents at beginning of period	30,689	41,542
Cash and cash equivalents at end of period	\$ 17,568	\$ 30,689

Company name	Principal place of business	Percentage of ownership (%)	
		Dec. 31, 2023	Dec. 31, 2022
L&K Engineering (Suzhou) Co., Ltd.	Suzhou	46.01%	46.01%
Balance sheets:			
Current assets		\$ 13,692,735	\$ 9,632,594
Non-current assets		1,443,980	1,514,983
Current liabilities		(8,747,572)	(5,839,487)
Non-current liabilities		(2,988)	(11,551)
Total net assets		\$ 6,386,155	\$ 5,296,539
Accumulate non-controlling interests		\$ 2,938,062	\$ 2,436,765
For the Years Ended December 31,			
		2023	2022
Statements of comprehensive income:			
Sales		\$ 14,251,520	\$ 12,000,763
Net income		\$ 1,415,223	\$ 677,759
Other comprehensive income for the period, net of income tax		(96,190)	100,855
Total comprehensive income for the period		\$ 1,319,033	\$ 778,614
The Company's net income attributable to the non- controlling interests in the subsidiary		\$ 651,098	\$ 311,815
The Company's other comprehensive income attributable to the non-controlling interests in the subsidiary		(44,254)	46,400
The Company's total comprehensive income attributable to the non-controlling interests in the subsidiary		\$ 606,844	\$ 358,215
Dividend received from subsidiaries		\$ 105,547	\$ 43,220

	For the Years Ended December 31,	
	2023	2022
Statements of cash flows:		
Cash flows from operating activities	\$ 2,305,678	\$ 950,744
Cash flows from investing activities	(20,255)	8,305
Cash flows from financing activities	(376,118)	(155,317)
Effect of exchange rate changes	(45,121)	27,924
Net increase (decrease) in cash and cash equivalents	1,864,184	831,656
Cash and cash equivalents at beginning of period	1,949,210	1,117,554
Cash and cash equivalents at end of period	\$ 3,813,394	\$ 1,949,210

(26) Operating Revenue

Items	For the Years Ended December 31,	
	2023	2022
Construction contract revenue	\$ 56,103,536	\$ 34,069,570
Sales contract revenue	801,123	1,669,316
Total	\$ 56,904,659	\$ 35,738,886

(A) Segmentation of customer contract revenue :

The revenue can be subdivided into the following major regional markets:

For the Year Ended December 31, 2023				
Items	China (including			Total
	Taiwan	Hong Kong)	Other countries	
External customer contract revenue	\$ 19,368,338	\$ 8,212,571	\$ 29,323,750	\$ 56,904,659

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

(B) Contract assets and contract liabilities :

Items	Dec. 31, 2023	Dec. 31, 2022
Contract assets		
Retainable for receivables	\$ 3,369,537	\$ 2,472,286
Real estate construction	9,343,888	9,469,505
Total	\$ 12,713,425	\$ 11,941,791
Less: loss allowance	(496,555)	(796,540)
Net	\$ 12,216,870	\$ 11,145,251

Items	Dec. 31, 2023	Dec. 31, 2022
Contract liabilities		
Advance sales receipts	\$ 34,341	\$ 34,977
Real estate construction	13,386,477	18,122,540
Total	\$ 13,420,818	\$ 18,157,517

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

	For the Years Ended December 31,	
	2023	2022
(A) Expected credit impairment loss (benefit)	\$ (60,267)	\$ 231,358

(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, 2023				
Items	Notes receivable	Accounts receivable	Contract assets	Other receivables	Total
Beginning balance	\$ 25	\$ 381,018	\$ 796,540	\$ 10,792	\$ 1,188,375
Amount incurred in the current period	-	228,858	(289,122)	(3)	(60,267)
Amount of current write- off	-	-	-	(7,909)	(7,909)
Exchange rate impact	-	(1,114)	(10,863)	-	(11,977)
Ending balance	\$ 25	\$ 608,762	\$ 496,555	\$ 2,880	\$ 1,108,222

Items	For the Year Ended December 31, 2022				
	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>

(28) Employee Benefits Expense, Depreciation and Amortization

(A) Employee benefits expense:

Items	For the Years Ended December 31,					
	2023			2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee						
benefits expense	\$ 2,874,097	\$ 858,324	\$ 3,732,421	\$ 1,934,913	\$ 592,699	\$ 2,527,612
Salary	2,526,679	723,586	3,250,265	1,681,933	494,052	2,175,985
Labor and						
health						
insurance	186,920	19,396	206,316	122,698	17,849	140,547
Pension	44,645	6,952	51,597	42,143	6,706	48,849
Others	115,853	108,390	224,243	88,139	74,092	162,231
Depreciation	125,759	96,419	222,178	62,451	94,186	156,637
Amortization	3,265	9,797	13,062	3,553	5,527	9,080

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 \$153,169 thousand and \$76,585 thousand in 2023, and amounted to \$53,839 thousand and \$26,920 thousand in 2022. 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 13, 2024 approved the profit-sharing bonus to employees and compensation to directors/supervisors in the amounts of \$153,169 thousand and \$76,585 thousand in cash for 2023. 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. There is no difference between the aforementioned approved amounts and the recognized amounts of 2023 and 2022.

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.

Employee Stock Option Plan in Cash Capital Increase

Cash capital increase of RSEA Engineering Corporation (privatized 2009) was resolved in the board of directors' meeting held on September 26, 2023, to issue 50,000 thousand shares. In accordance with Article 267 of the Company Law, 10% of the new shares issued, totaling 5,000 thousand shares, were reserved for employees to subscribe. The relevant information of cash capital increase employee stock option plan in cash capital increase was as follow:

	For the year ended December 31, 2023	
	Unit(thousand)	Weighted average exercise price (dollar)
Employee stock option		
Outstanding at the beginning of period	-	\$ -
Granted in the period	5,000	10.50
	(5,000	
Exercised in the period)	10.50
Outstanding at the ending period	-	
Available for exercising at the end of period	-	
Weighted average fair value of units granted in the period(dollar)	\$ 1.04	

The employee stock option RSEA Engineering Corporation (privatized 2009) granted to employees in 2023 was valued based on Black-Scholes-Merton valuation mode. Selected input values of the evaluation mode are as follows:

Price at grant date	11.35 dollars
Exercise price	10.50 dollars
Expected volatility	28.86%
Duration	56 days
Expected dividend rate	-
Risk-free rate	0.99%

RSEA Engineering Corporation (privatized 2009) recognized compensation cost 5,200 thousand dollars in 2023.

(29)Non-Operating Income and Expenses

(A) Interest income:

Items	For the Years Ended December 31,	
	2023	2022
Cash in bank	\$ 402,222	\$ 85,535
Others	91,978	5,600
Total	<u>\$ 494,200</u>	<u>\$ 91,135</u>

(B) Other income

Items	For the Years Ended December 31,	
	2023	2022
Rental income	55,273	18,841
Dividend income	20,972	22,272
Total	<u>\$ 76,245</u>	<u>\$ 41,113</u>

(C) Other gains and losses, net:

Items	For the Years Ended December 31,	
	2023	2022
Foreign exchange gain (loss)	\$ (57,190)	\$ 74,452
Gain (loss) from disposal of property, plant and equipment	(355)	120
Gain (Loss) on lease modification	173	-
Gain (Loss) on financial assets at fair value through profit and loss	60,898	(109,934)
Government grant	10,974	22,288
Others	7,824	30,361
Total	<u>\$ 22,324</u>	<u>\$ 17,287</u>

(D) Finance costs:

Items	For the Years Ended December 31,	
	2023	2022
Bank loan interest	\$ 45,418	\$ 47,093
Other loan interest	843	2,492
Short-term notes and bills payable interest	19,974	12,235
Lease liability interest	2,545	894
Other liabilities interest	7	4
Total	<u>\$ 68,787</u>	<u>\$ 62,718</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,	
	2023	2022
Profit from continuing operations	<u>\$ 4,537,297</u>	<u>\$ 1,703,996</u>
Income tax expense at the statutory rate	\$ 992,741	\$ 362,356
Effect from items disallowed by tax regulation	(33,058)	11,979
Tax effect of deferred tax assets / liabilities	(106,457)	(28,001)
Deferred loss	21,736	24,792
Current income tax payable	874,962	371,126
Current income tax payable in prior years	(4,982)	18,459
Undistributed earnings subject to 5%	17,243	2,387
Current income tax expense	887,223	391,972
Deferred income tax expense (income)	106,733	28,001
Income tax expense	<u>\$ 993,956</u>	<u>\$ 419,973</u>

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

Items	For the Years Ended December 31,	
	2023	2022
Current income tax expense:		
Current income tax payable	\$ 874,962	\$ 371,126
Current income tax payable in prior years	(4,982)	18,459
Undistributed earnings subject to 5%	17,243	2,387
Non-deductible ratio from surplus repatriation	-	-
Deferred income tax expense :		
Deferred tax expense (income) relating to origination and reversal of temporary differences	106,733	28,001
Unrecognized deferred income tax expenses of period previous	-	-
Income tax expense	<u>\$ 993,956</u>	<u>\$ 419,973</u>

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

Items	For the Years Ended December 31,	
	2023	2022
Exchange differences on translation of foreign operations	\$ (10,619)	\$ 38,820
Unrealized gain (loss) from available-for-sale financial assets	-	-
Cash flow hedges	-	-
Actuarial gain (loss) on defined benefit plans	(410)	1,827
Income tax relating to components of other comprehensive income	<u>\$ (11,029)</u>	<u>\$ 40,647</u>

(D) Deferred income tax assets (liabilities) were as follows:
For the Year Ended December 31, 2023

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	(313,641)	(120,207)	-	-	-	(433,848)
Impairment loss	6,955	-	-	-	-	6,955
Provision - repair warranty	48,951	30,275	-	-	-	79,226
Allowance for doubtful accounts	183,804	(8,683)	-	-	(1,781)	173,340
Accrued pension liability	6,645	-	410	-	-	7,055
Foreign exchange gains and losses	(7,441)	(227)	-	-	-	(7,668)
Exchange differences on translation of foreign operations	46,106	-	10,619	-	-	56,725
Engineering loss	18,104	(8,352)	-	-	364	10,116
No vacation bonus estimate	3,006	461	-	-	-	3,467
Deferred income tax (expense) income		<u>\$ (106,733)</u>	<u>\$ 11,029</u>	<u>\$ -</u>	<u>\$ (1,417)</u>	
Deferred income tax assets (liabilities), net	<u>\$ (5,689)</u>					<u>\$ (102,810)</u>
Expression of the information in the balance sheet:						
Deferred income tax assets	<u>\$ 271,247</u>					<u>\$ 297,812</u>
Deferred income tax liabilities	<u>\$ (276,936)</u>					<u>\$ (400,622)</u>

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>

(E) The Company's and RSEA Engineering Corporation (privatized 2009)'s income tax returns for the years both through 2021, have been examined by the tax authority.

(31) Earnings Per Share

For the Year Ended December 31, 2023			
	Amount	Number of shares (thousand)	Earnings per share (NT\$)
Basic earnings per share:			
Net income available to common shareholders	\$ 2,888,820	225,541	\$ <u>12.81</u>
Assumed conversion of all dilutive potential ordinary shares:			
Employee bonus (Note)	-	1,124	
Net income available to shareholders (including effect of dilutive potential common shares)	\$ <u>2,888,820</u>	<u>226,665</u>	\$ <u>12.74</u>

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	\$ <u>4.43</u>
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)	\$ <u>999,138</u>	<u>227,093</u>	\$ <u>4.40</u>

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 \$30,702 thousand and \$138,960 thousand in 2023 and 2022, respectively.

(B) The Company and subsidiaries decreased “right-of-use assets” and “lease liability” both by \$19,492 thousand and \$234 thousand, respectively due to the revision of lease in 2023 and 2022.

(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) Reconcilaitaion information on liabilities in 2023:

Items	Jan. 1, 2023	Cash flow	Changes in non-cash items	Exchange rate changes	Dec. 31, 2023
Short-term					
borrowings	\$ 2,032,051	\$ (587,812)	\$ -	\$ (2,860)	\$ 1,441,379
Short-term notes and					
bills payable	1,297,538	(700,000)	1,695	-	599,233
Long-term borrowings					
(including maturity					
within one year)	1,658,626	(1,125,687)	-	(5,879)	527,060
Other payables					
(finance loan)	26,112	-	-	4	26,116
Other payables -					
related parties					
(finance loan)	26,592	272,470	-	(4,278)	294,784
Guarantee deposits					
received	235,436	(9,746)	-	(22)	225,668
Lease liability					
(Including maturity					
within one year)	136,264	(86,451)	11,037	1,027	61,877

(B) 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

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
Suzhou Lanyang Consulting Co., Ltd.	Other related party
Suzhou Huaqun Consulting and Managent Co., Ltd.	Other related party
Suzhou Yali Consulting and Managent 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
St. John's University	Same Chairman as The Company

(2) Significant Transactions with Related Parties:

(A) Operating Revenues:

	For the Years Ended December 31,	
	2023	2022
Other related parties	\$ 1,815	\$ 5,537

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, 2023 and 2022, \$2,400 thousand per year were recognized as rental expenses.

(C) Contract Assets - Current:

	Dec. 31, 2023	Dec. 31, 2022
<u>Real estate construction</u>		
Other related parties	\$ 9,636	\$ 7,985

(E) Accounts Payable - Related Parties:

	Dec. 31, 2023	Dec. 31, 2022
Other related parties	\$ 268	\$ 273

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

	Dec. 31, 2023	Dec. 31, 2022
Other related parties	\$ 294,784	\$ 26,592

(F) Guarantee deposits paid - Related Parties:

	Dec. 31, 2023	Dec. 31, 2022
The key management	\$ 500	\$ 500

(G) Long-term borrowings:

	Dec. 31, 2023	Dec. 31, 2022
Other related parties	\$ 255,470	\$ 260,249

(H) Other Intercompany Debts:

	Items	Dec. 31, 2023	Dec. 31, 2022
Other related parties	Other short-term borrowings	\$ 152,849	\$ 155,708

(I) Donation Expenses:

	Dec. 31, 2023	Dec. 31, 2022
Other related parties	\$ 20,000	\$ -

In order to implement the Company's multiple-value concepts, fulfill social responsibilities, strengthen human resources inheritance management and enhances market's competitiveness, starting from 2023, the Group planned to donate to other related parties for four consecutive years. The amount shall be no more than 5% of the pre-tax surplus of the previous year, and the total amount shall not exceed 20,000 thousand dollars.

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

	For the years ended December 31,	
Items	2023	2022
Short-term employee benefits	\$ 37,527	\$ 29,616
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	\$ 37,527	\$ 29,616

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, 2023	Dec. 31, 2022
Restricted assets:		
Savings account	\$ 1,762,753	\$ 2,650,947
Time deposits	1,105,152	1,210,894
Property, plant, and equipment	147,263	152,705
Total	<u>\$ 3,015,168</u>	<u>\$ 4,014,546</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, 2023	Dec. 31, 2022
Restricted assets:		
Property, plant, and equipment	\$ 171,312	\$ 187,974
Investment property	5,639	7,105
Right-of-use assets	3,988	4,202
Total	<u>\$ 180,939</u>	<u>\$ 199,281</u>

(3) L&K Engineering (Suzhou) Co., Ltd. provided a carrying amount \$523,413 thousand of the share of RSEA Construction Engineering (Chongqing) Co., Ltd. as collateral for long-term borrowing on December 31, 2023.

9. Significant Contingent Liabilities and Unrecognized Commitments

(1) As of December 31, 2023 and 2022, the Group entered into unfinished construction contracts of \$264,632,186 thousand and \$207,604,205 thousand respectively (recognized revenue and orders on hand included).

(2) As of December 31, 2023 and 2022, the Group had guarantee notes payable for performance bonds, advance payment, warranty, and bid bonds of \$34,474,953 thousand and \$35,784,132 thousand, respectively.

As of December 31, 2023 and 2022, the Group had guarantee notes receivable for performance bonds and warranty of \$10,725,080 thousand and \$10,354,852 thousand, respectively.

As of December 31, 2023 and 2022, the Group had unused loan credits amounted to \$16,570,746 thousand and \$11,917,861 thousand, respectively.

As of December 31, 2023 and 2022, utilized endorsement and guarantee provided by banks for performance bonds and warranty were \$13,006,786 thousand and \$15,544,969 thousand, respectively.

As of December 31, 2023 and 2022, the Group's issued letters of credit were \$115,744 thousand and \$99,687 thousand, respectively.

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 (privatized 2009) 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. The judgement of Taiwan High Court was discarded and remanded by the Supreme Court. The case was then under review with filing number 2022-Jian shang-19. On April 18, 2023, the court ruled that RF Construction shall pay \$3,542 thousand to RSEA Engineering Corporation (privatized 2009) Corporation. RF Construction disagreed and filed an appeal. The case is now reviewed by the Supreme Court.

JAN DE NUL NV. (hereinafter referred to as "JDN") signed the construction contract with RSEA Engineering Corporation (privatized 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 2009) to pay \$143,850 thousand. RSEA Engineering Corporation (privatized 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, 2022. 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 2009) paid off all on June 22, 2022. However, RSEA Engineering Corporation (privatized 2009) disagreed with standby fee and proposed to withdraw the arbitration proceedings on August 4, 2022. On March 16, 2023, RSEA Engineering Corporation (privatized 2009) received the verdict and lost the case, and no longer appeal.

CTCI Smart Engineering Corporation (hereinafter referred to as “CTCI”), subcontracted a water power construction from RSEA Engineering Corporation (privatized 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 2022-Chien-12, is waiting for court session of the Taipei District Court.

RSEA Engineering Corporation (privatized 2009) undertook the Nanhua Dam Sediment Sluiceway Tunnel Construction Project, of which the employer was South Region Water Resources Office. RSEA Engineering Corporation (privatized 2009) 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 Corporation (privatized 2009) 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 Engineering Corporation (privatized 2009) recognizes the allowance loss based on the proportion of days that are more easily recognized in litigation practice, and the amount will be assessed based on the actual situation during the court hearing.

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. 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. On April 11, 2023, the case was judged that Hangzhou S.W. has to pay L&K Suzhou RMB110,408 thousand plus related interest and L&K Suzhou has the priority over project payment. Both Hangzhou S.W. and L&K Suzhou disagreed and appealed. On August, 2023, Zhejiang High People’s Court made final judgement that Hangzhou S.W. has to pay L&K Suzhou RMB129,886 thousand plus related interest. Hangzhou S.W. paid all the payments in the verdict to L&K Suzhou on September 7, 2023.

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. On July 17, 2023, Zhejiang High People’s Court made final judgement to dismiss the appeal and affirm the first-instance judgment.

- (13) 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.
- (14) 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 being negotiated in private by the directors of the Company and the person in charge of Hung Bao. The case was transferred to mediation. However, the two parties did not reach a consensus on the settlement items and amounts in the mediation court on August 2, 2023. After the mediation court, the Company discussed with the appointed lawyer and submitted a written petition to the court indicating that it would end the mediation process and return to litigation procedures to the court on August 16, 2023. The case is now reviewing by Taiwan Taipei District Court Summary Court.

10. Significant Loss from Natural Disaster: None.

11. Significant Subsequent Events:

On November 30, 2023, the Company’s board of directors approved to issue ordinary shares through cash capital increase and the fourth domestic unsecured convertible corporate bonds. It planned to issue 7,000 thousand shares of common stock with a par value of \$10 per share, to increase share capital by \$70,000 thousand dollars. Additionally, it proposed to issue 5,000 units of 3-year unsecured convertible corporate bonds with a nominal value of \$100 thousand dollars,

totaling issuance amount of \$500,000 thousand dollars and a three-year issuance period. This issuance was approved by the competent authority and became effective on January 2, 2024. The conversion price was set at \$172.5 per share on January 17, 2024, and the amount was fully collected on January 23, 2024. The base date for subscription of cash capital increase was set as March 13, 2024, with an issuance price of \$115 per share of common stock. The conversion price for the unsecured convertible corporate bonds was adjusted to \$171.1 per share.

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 2023.

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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - domestic listed stocks	\$ 246,467	\$ -	\$ -	\$ 246,467
Financial assets at FVTPL - noncurrent	\$ 4,620	\$ -	\$ 93,326	\$ 97,946
Financial assets at fair value through other comprehensive income - noncurrent	\$ -	\$ 450,033	\$ 148,125	\$ 598,158

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

There were no transfers between Level 1 and 2 for the years ended December 31, 2023 and 2022.

- (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,	
	2023	2022
Beginning balance	\$ 296,489	\$ 226,002
Recognized in other comprehensive gains and losses	2,405	(17,733)
Obtained in this period	-	88,230
Transfer to level 2	(55,823)	-
Effect of exchange rate changes	(1,620)	(10)
Ending balance	<u>\$ 241,451</u>	<u>\$ 296,489</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.31,2023 Fair value	Evaluation technique	Major unobservable input value	Interval (weighted average)	Input value and fair value relationship
Unlisted company stock	\$ 241,451	Net asset value method	Not applicable	-	Not applicable
Unlisted company stock	\$ -	Can be compared to the listed companies	<ul style="list-style-type: none"> ●Net market value multiplier ●Lack of market liquidity discount 	-	<ul style="list-style-type: none"> ●The higher the multiplier, the higher the fair value ●Lack of market circulation, the higher the discount, the lower the fair value
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	\$ 147,639	Can be compared to the listed companies	<ul style="list-style-type: none"> ●Net market value multiplier ●Lack of market liquidity discount 	-	<ul style="list-style-type: none"> ●The higher the multiplier, the higher the fair value ●Lack of market circulation, the higher the discount, the lower the fair value

(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, 2023	
	input value	Change up or down	Favorable change Unfavorable change
Financial assets - equity instruments	Net asset value method	±10%	\$ 2,415 \$ (2,415)
	Net market value multiplier	±10%	\$ - \$ -
	Liquidity discount	±10%	\$ - \$ -
		December 31, 2022	
	input value	Change up or down	Favorable change Unfavorable change
Financial assets - equity instruments	Net asset value method	±10%	\$ 14,885 \$ (14,885)
	Net market value multiplier	±10%	\$ 14,764 \$ (14,764)
	Liquidity discount	±10%	\$ 14,764 \$ (14,764)

(B) Categories of financial instruments:

	Dec. 31, 2023	Dec. 31, 2022
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 344,413	\$ 196,978
Financial assets at fair value through other comprehensive income - noncurrent	598,158	515,431
Financial assets valued by amortized cost:		
Cash and cash equivalents	13,385,751	9,955,154
Accounts receivable	12,381,153	6,222,669
Contract assets - current	3,369,047	2,360,123
Other financial assets	3,754,110	4,769,250
Total	\$ 33,832,632	\$ 24,019,605
<u>Financial liabilities</u>		
Financial liabilities valued by amortized cost:		
Short-term borrowings, notes, and bills payable	\$ 2,040,612	\$ 3,329,589
Accounts payables	20,824,014	11,686,270
Long-term borrowings	527,060	1,658,626
Lease liability	61,877	136,264
Total	\$ 23,453,563	\$ 16,810,749

(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, 2023			
	Foreign currency amount (In thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 170,034	30.725	\$ 5,224,295
RMB : NTD	120,791	4.330	523,025
SGD : NTD	3,724	23.323	86,855
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 168,139	30.725	\$ 4,244,321
RMB : NTD	67,813	4.330	293,630

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

For the Year Ended December 31, 2023				
	Change margin		Impact of profit and loss	Impact of comprehensive profit and loss
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	52,243	\$ -
RMB : NTD	1%		5,230	-
SGD : NTD	1%		869	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	42,443	\$ -
RMB : NTD	1%		2,936	-

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	-

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 \$(57,190) thousand and \$74,452 thousand for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 would have increased/decreased by \$3,444 thousand and \$1,970 thousand

because of gains/losses on equity securities classified as at fair value through profit or loss, other comprehensive gains/losses increased/decreased by \$5,982 thousand and \$5,154 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, 2023 and 2022, the Group's long-term borrowings were issued at variable rates, denominated in NTD and USD.

On December 31, 2023 and 2022, 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, 2023 and 2022 would have been increased/decreased by \$4,216 thousand and \$13,269 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, 2023 and 2022 the Group's ten largest customers accounted for 90.74% and 82.18% 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, 2023</u>					
Short-term borrowings (including short-term notes and bills payable)	\$ 2,040,612	\$ -	\$ -	\$ -	\$ 2,040,612
Accounts payable	20,824,014	-	-	-	20,824,014
Long-term borrowings	7,230	110,969	134,374	285,472	538,045
Lease liability	50,881	7,559	5,038	-	63,478
<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

(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: Please see Table D attached.
- (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 E attached.
- (H) Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table F 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 G attached.

(2) Information on investees: Please see Table H 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 I 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 and Table I attached.

(4) Main shareholder information: Please see Table J 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 Engineerin g Co., Ltd.	Unique Grand Limited	Other receivable - related parties	Yes	\$ 474,135 (RMB 109,500)	\$ 259,081 (RMB 59,834)	\$ -	3.5%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$4,371,766	\$4,371,766	(Note10)
1	Unique Grand Limited	Sunshine (China) Inc.	Other receivable - related parties	Yes	\$ 676,436 (RMB 156,221)	\$ 676,436 (RMB 156,221)	\$ 676,436 (RMB 156,221)	3.5%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$794,312	\$794,312	(Note10)
2	Sunshine (China) Inc.	Xiang Sheng Investment Co., Ltd.	Other receivable - related parties	Yes	\$ 618,414 (RMB 142,821)	\$ 618,414 (RMB 142,821)	\$ 618,414 (RMB 142,821)	3.5% ~ 4.75%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$824,299	\$824,299	(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, 2023.

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)	\$ 10,929,414 (Note 3)	\$ 53,797 (USD810&28,910)	\$ 24,887 (USD 810)	\$ -	\$ -	0.49%	\$21,858,828 (Note 3)	Y			Note 9
0	"	RSEA Engineering Corporation (privatized 2009)	Note 2 (2)	10,929,414 (Note 3)	1,863,000 (Note 4)	1,863,000 (Note 4)	1,464,588	-	17.04%	21,858,828 (Note 3)	Y			Note 9
1	L&K Engineering (Suzhou) Co., Ltd.	Suzhou Xiang Sheng Trade Company Ltd.	Note 2 (2)	6,386,155 (Note 8)	168,870 (RMB39,000)	168,870 (RMB39,000)	-	-	2.64%	12,772,310 (Note 7&8)			Y	Note 9
1	L&K Engineering (Suzhou) Co., Ltd.	L&K Engineering Company Limited	Note 2 (2)	6,386,155 (Note 8)	108,250 (RMB25,000)	108,250 (RMB25,000)	-	-	1.70%	12,772,310 (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, 2023, 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, 2023.

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	\$ 239,314	-	\$ 239,314	
"	"	Hua Nan Financial Holdings Co., Ltd.	"	"	320	7,153	-	7,153	
"	Unlisted stock	A2peak Power Co., Limited	"	"	2,000	-	5.44%	-	
						\$ 246,467			
"	Foreign bank debentures	Emirates NBD PJSC foreign bank debentures	None	Financial assets at fair value through profit or loss	-	\$ 4,620	-	\$ 4,620	
RSEA Construction Engineering (Chongqing) Co., Ltd.	Limited partnership	Xiamen United Phase III Integrated Circuit Industry Equity Investment Fund Partnership	"	"	-	93,326	3.96%	93,326	
						\$ 97,946			
L&K Engineering Co., Ltd.	Unlisted stock	Bestample Investments Limited	None	Financial assets at fair value through other comprehensive income	-	\$ 143,377	15.00%	\$ 143,377	
"	"	United BioPharma Inc.	"	"	806	-	0.42%	-	
"	"	ProMOS Technologies Inc.	"	"	507	4,748	1.13%	4,748	
"	Listed stock	Cica-Huntek Chemical Technology Taiwan Co., Ltd.	"	"	2,500	278,824	7.58%	278,824	
"	"	PharmaEssentia Corporation	"	"	581	171,209	0.17%	171,209	
						\$ 598,158			

Table D: Individual securities acquired or disposed of with accumulated amount exceeding NT\$100 million or 20 percent of the capital stock

Unit: thousands of NTD

Company	Securities Category	Financial Statement Account	Counterparty	Relationship	As January 1, 2023		Purchase		Sell				As December 31, 2023	
					Shares (In thousand)	Amount	Shares (In thousand)	Amount	Shares (In thousand)	Price	Book cost	Gain / Loss	Shares (In thousand)	Amount
L & K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	Investments accounted for using the equity method	(Note1)	Subsidiary	270,047	\$2,525,589	46,093	\$ 483,978	-	-	-	-	316,140	\$3,009,567

Note 1: The Company subscribed for the cash capital increase of RSEA Engineering Corporation (privatized 2009).

Table E: 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	\$(1,599,673)	(5.50%)	30 days	\$ -	-	\$ 224,604	4.01%	Note 1

Note 1: Eliminated in the consolidated financial statements.

Table F: 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 31,2023		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.	RSEA Engineering Corporation (privatized 2009)	Subsidiary	Accounts receivables	\$ 224,604	-	\$ -	-	\$ -	\$ -	Note
Unique Grand Limited	Sunshine (China) Inc.	Subsidiary	Other receivables	676,436 (RMB156,221)	-	-	-	-	-	Note
Sunshine (China) Inc.	Sunshine Investment Co., Ltd.	Subsidiary	Other receivables	618,414 (RMB142,821)	-	-	-	-	-	Note

Note : It was eliminated in the consolidated financial statement.

Table G: 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	\$ 216,863	Note 4	0.40%
0	L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	(1)	Contract liabilities	301,391	Note 4	0.55%
0	L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	(1)	Accounts receivable	224,604	Note 4	0.41%
0	L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	(1)	Construction income	1,599,673	Note 4	2.81%
0	L&K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	(1)	Accounts payable	3,999	Note 4	0.01%
0	L&K Engineering Co., Ltd.	Unique Grand Limited	(1)	Interest income	6,124	Note 4	0.01%
1	Unique Grand Limited	Sunshine (China) Inc.	(3)	Other receivables	676,436	Note 4	1.24%
2	Sunshine (China) Inc.	Xiang Sheng Investment Co., Ltd.	(3)	Other receivables	618,414	Note 4	1.14%
3	RSEA Construction Engineering (Chongqing) Co., Ltd.	Xiang Sheng Investment Co., Ltd.	(3)	Construction income	6,386	Note 4	0.01%
4	RSEA Engineering Corporation (privatized 2009)	L&K Engineering Co., Ltd.	(2)	Construction income	11,260	Note 4	0.02%

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 H: 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, 2023			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Foreign Currencies in Thousands) (Note 1)	Remark
				December 31, 2023 (Foreign Currencies in Thousands) (Note 1)	December 31, 2022 (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	\$ 3,009,567	\$ 2,525,589	316,140	84.79%	\$ 3,548,993	\$ 72,987	\$ 61,052	Note 7
"	L&K Engineering Co., Ltd. (BVI)	Tortola, British Virgin Islands	Investment Company	1,615	1,615	-	100.00%	670,422	18,700 (USD 609)	18,700 (USD 609)	Note 7
"	Unique Grand Limited	Wanchai, HK	Holding Company	1,821,916	1,821,916	-	51.71%	1,026,847	(75,844) (USD(2,469))	(39,219) (USD(1,276))	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)	61,044 (RMB 13,839)	-	100.00%	304,891 (RMB 70,414)	35,520 (RMB 8,127)	35,520 (RMB 8,127)	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)	78,336 (USD 2,550)	-	51.00%	104,853 (USD 3,413)	57,367 (USD 1,867)	29,257 (USD 952)	Note 7

Note 1 : The above amounts were translated into New Taiwan dollars at the exchange rate of December 31, 2023.

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 I : Information on the investees in Mainland China

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, 2023 (USD in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (USD in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Share of Profit /Losses (Note 3)	Carrying Amount as of December 31, 2023 (Foreign currencies in Thousands)	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
L&K Engineering (Suzhou) Co., Ltd.	Note 5	\$ 923,849 (RMB213,360)	(a)	\$ 479,894 (USD15,619)	\$ -	\$ -	\$ 479,894 (USD15,619)	\$ 1,415,223	53.99%	\$ 764,124 (RMB174,837) (b)	\$ 3,450,134 (RMB796,326)	\$ 958,203
Suzhou Xiang Sheng Trade Company Ltd.	Note 6	86,600 (RMB20,000)	(c)	Note 11	-	-	Note 11	(1,940)	53.99%	(1,047) (RMB(240)) (b)	83,711 (RMB19,333)	-
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	Note 7	86,600 (RMB20,000)	(c)	Note 11	-	-	Note 11	376	53.99%	203 (RMB46) (b)	17,026 (RMB3,932)	-
RSEA Construction Engineering (Chongqing) Co., Ltd.	Note 8	567,737 (USD18,478)	(c)	190,894 (USD6,213)	-	-	190,894 (USD6,213)	(34,806)	53.99% Note 15	(18,792) (RMB(4,300)) (b)	282,590 (RMB65,263)	-
Sunshine (China) Inc.	Note 9	3,066,355 (USD99,800)	(b)	1,606,918 (USD52,300)	-	-	1,606,918 (USD52,300)	(60,579)	51.71% Note 12	(31,326) (USD(1,020)) (b)	852,490 (USD27,746)	-
Xiang Sheng Investment Co., Ltd.	Note 10	2,286,240 (RMB528,000)	(c)	Note 13	-	-	Note 13	(39,965)	51.71%	(20,666) (RMB(4,729)) (b)	877,796 (RMB202,724)	-

Unit: thousands of NTD(USD/RMB)

Investor Company	Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
L & K Engineering Co., Ltd.	\$ 2,420,976 (USD78,795) (Note 1&14&15)	\$ 2,394,952 (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, 2023.

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 \$155,499 thousand (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, 2023 includes investment \$143,271 thousand (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, 2023, The Company has collected part of the proceeds and obtained the approval letter from the Investment Commission, MOEA.

Table J : 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

For the Year ended December 31, 2023

Items	The Company	L1 company	L2 company	Other companies	Adjustment and elimination	Total
Revenue from external customers						\$
	\$ 27,501,929	\$ 14,363,778	\$ 14,908,220	\$ 130,732	\$ -	\$ 56,904,659
Inter-segment revenue	1,599,673	6,386	11,260	-	(1,617,319)	-
Total	\$ 29,101,602	\$ 14,370,164	\$ 14,919,480	\$ 130,732	\$ (1,617,319)	\$ 56,904,659
Segmental pre-tax income	\$ 3,599,480	\$ 1,643,297	\$ 86,276	\$ 12,901	\$ (804,657)	\$ 4,537,297

December 31, 2023

Item	The Company	L1 company	L2 company	Other companies	Adjustment and elimination	Total
Segment assets	\$ 30,731,451	\$ 15,118,154	\$ 14,225,664	\$ 3,723,709	\$ (9,441,213)	\$ 54,357,765

For the Year ended December 31, 2022

Items	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

December 31, 2022

Item	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

(4) Financial information by industry

Items	For the Year Ended December 31,	
	2023	2022
Sales revenue	\$ 801,123	\$ 1,669,316
Engineering revenue	56,103,536	34,069,570
Total	\$ 56,904,659	\$ 35,738,886

(5) Financial information by geographic area

(A) Net revenue from external customers:

Areas	For the Years Ended December 31,	
	2023	2022
Taiwan	\$ 19,368,338	\$ 22,792,634
China	8,212,571	11,133,520
Other areas	29,323,750	1,812,732
Total	\$ 56,904,659	\$ 35,738,886

(B) Noncurrent assets:

Areas	Dec. 31, 2023	Dec. 31, 2022
Taiwan	\$ 446,022	\$ 474,388
China	2,930,594	3,045,347
Other areas	202,562	287,949
Total	\$ 3,579,178	\$ 3,807,684

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:

Customer	For the Year Ended December 31, 2023	
	Amount	%
Company A	\$ 29,186,394	51.29%

Customers	For the Year Ended December 31, 2022	
	Amount	%
Company A	\$ 4,359,870	12.20%
Company B	3,609,508	10.10%
	\$ 7,969,378	22.30%

L&K Engineering Co., Ltd.
Parent Company Only Financial Statements
and Independent Auditors' Report
for the Years Ended December 31, 2023 and 2022

**Address: 5F, No. 17, Lane 120, Sec. 1, Neihu Rd., Neihu District,
Taipei, Taiwan, R.O.C.**

Tel: 886-2-2657-8998

Fax: 886-2-2657-6554

E-mail: FD1300@lkeng.com.tw

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, 2023 and 2022
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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, 2023 and 2022, the related parent company only statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2023 and 2022.

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, 2023 and 2022, and the results of its operations and cash flows for the years ended December 31, 2023 and 2022, 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 the Standards on Auditing of 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, 2023. 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, 2023 and 2022, 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\$3,548,993 thousand and NT\$3,036,896 thousand, which represented 11.55% and 10.79% of the total assets as of December 31, 2023 and 2022, respectively. The related shares of investment income from RSEA Engineering Corporation (privatized 2009) amounted to NT\$61,052 thousand and NT\$40,715 thousand, which represented 1.70% and 3.22% of the income from continuing operations before income tax for the years ended December 31, 2023 and 2022, 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 Standards on Auditing of 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 Standards on Auditing of 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, 2023 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 13, 2024

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, 2023 and 2022

Unit : NTS1,000

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current Assets						Current Liabilities					
1100	Cash and cash equivalents (Note 6(1))	\$ 7,061,696	23	\$ 5,757,506	20	2100	Short-term borrowings (Note 6(14))	\$ 100,000	-	\$ 600,000	2
1110	Financial assets at fair value through profit or loss - current (Note 6(2))	246,467	1	192,358	1	2110	Short-term notes and bills payable (Note 6(15))	-	-	199,547	1
1140	Contract assets - current (Note 6(24)&7(2))	1,838,016	6	1,978,153	7	2130	Liabilities of contract - current (Note 6(24)&7(2))	8,279,185	28	13,879,258	48
1150	Notes receivable, net (Note 6(3))	2,495	-	2,495	-	2170	Accounts payable	9,460,721	32	3,195,008	11
1170	Accounts receivable, net (Note 6(3))	5,367,854	17	1,332,058	5	2180	Accounts payable - related parties (Note 7(2))	3,999	-	4,412	-
1180	Accounts receivable - related parties, net (Note 6(3)&7(2))	224,604	1	246,688	1	2200	Other payables	384,310	1	259,564	1
1200	Other receivables, net (Note 6(4))	346,360	1	2,696	-	2230	Current tax liabilities	585,088	2	225,459	1
1210	Other receivables- related parties, net (Note 7(2))	-	-	271,320	1	2250	Provisions - current (Note 6(16))	372,462	1	227,909	1
1220	Current tax assets	376,269	1	219,788	1	2280	Lease liabilities - current (Note 6(17))	14,849	-	41,948	-
130X	Inventories, net (Note 6(5))	9,781	-	10,540	-	2320	Long-term borrowings - current portion (Note 6(18))	3,822	-	203,764	1
1410	Prepayments (Note 6(6))	4,809,067	16	8,844,096	32	2399	Other current liabilities	43,530	-	37,165	-
1476	Other financial assets - current (Note 6(7))	603,903	2	617,586	2	21XX	Total Current Liabilities	19,247,966	64	18,874,034	66
1479	Other current assets	31,799	-	40,888	-						
11XX	Total Current Assets	20,918,311	68	19,516,172	70	Noncurrent Liabilities					
Noncurrent Assets						2540	Long-term borrowings (Note 6(18))	126,747	-	230,501	1
1510	Financial assets at fair value through profit or loss - non current (Note 6(2))	4,620	-	4,620	-	2570	Deferred income tax liabilities (Note 6(28))	377,253	1	267,702	1
1517	Financial assets at fair value through other comprehensive income (Notes 6(8))	598,158	2	427,211	2	2580	Lease liabilities - non-current (Note 6(17))	8,392	-	33,120	-
1550	Investments accounted for using equity method (Note 6(9))	8,696,396	29	7,632,600	27	2640	Accrued pension cost (Note 6(19))	29,786	-	29,512	-
1600	Property, plant and equipment, net (Note 6(10))	281,376	1	284,481	1	2645	Guarantee deposits received	11,893	-	9,856	-
1755	Right-of-use assets (Note 6(11))	23,051	-	74,937	-	25XX	Total Noncurrent Liabilities	554,071	1	570,691	2
1760	Investment property, net (Note 6(12))	92,048	-	92,834	-	2XX	Total Liabilities	19,802,037	65	19,444,725	68
1780	Intangible assets (Note 6(13))	4,693	-	7,315	-	Equity Attributable to Shareholders of the Parent					
1840	Deferred income tax assets (Note 6(28))	93,124	-	84,761	-	3100	Capital stock				
1980	Other financial assets - non current (Note 6(7)&7(2))	17,289	-	13,939	-	3110	Common stock (Note 6(20))	2,255,409	7	2,255,409	8
1995	Other noncurrent assets	2,385	-	1,584	-	3200	Capital surplus (Note 6(21))	2,861,062	9	2,853,613	10
15XX	Total Noncurrent Assets	9,813,140	32	8,624,282	30	3300	Retained earnings (Note 6(22))				
						3310	Legal reserve	1,326,100	4	1,225,456	4
						3320	Special reserve	133,708	-	362,153	1
						3350	Unappropriated earnings	4,358,396	14	2,132,806	8
						3400	Others (Note 6(23))	(5,261)	1	(133,708)	1
						3XXX	Equity Attributable to Shareholders of the Parent	10,929,414	35	8,695,729	32
1XXX	Total Assets	\$ 30,731,451	100	\$ 28,140,454	100	3X2X	Total Liabilities and Equity	\$ 30,731,451	100	\$ 28,140,454	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, 2023 and 2022

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

	For the Years Ended December 31,			
	2023		2022	
	Amount	%	Amount	%
4000 Operating Revenue (Note 6(24)&7(2))	\$ 29,101,602	100	\$ 10,805,257	100
5000 Operating Costs	(26,245,229)	(90)	(9,646,605)	(89)
5900 Gross Profit	2,856,373	10	1,158,652	11
6000 Operating Expenses				
6200 General and administrative expenses (Note 6(26)& 7(2))	(448,830)	(2)	(252,234)	(2)
6450 Expected credit loss benefit (Note 6(25))	107,506	-	(66,185)	(1)
Total Operating Expenses	(341,324)	(2)	(318,419)	(3)
6900 Net Operating Income (Loss)	2,515,049	8	840,233	8
7000 Non-operating Income and Expenses				
7100 Interest income (Note 6(27)& 7(2))	264,685	1	53,531	-
7010 Other income (Note 6(27))	24,104	-	25,301	-
7020 Other gains and losses (Note 6(27))	11,328	-	(260)	-
7050 Finance costs (Note 6(27))	(20,343)	-	(19,758)	-
7060 Share of profits of subsidiaries, associates and joint venture by using equity method (Note 6(9))	804,657	3	366,175	3
Total non-operating income and expenses	1,084,431	4	424,989	3
7900 Income before Income Tax	3,599,480	12	1,265,222	11
7950 Income Tax Expense (Note 6(28))	(710,660)	(2)	(266,084)	(2)
8200 Net Income	2,888,820	10	999,138	9
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))	(2,048)	-	9,134	-
8316 Unrealized loss on investments in instruments at fair value through other comprehensive (Note 6(23))	170,947	1	73,227	1
8349 Income tax relating to the components of other comprehensive income - items that will not be reclassified to profit or loss (Note 6(28))	410	-	(1,827)	-
8361 Exchange differences arising on translation of foreign operations (Note 6(23))	(53,281)	-	192,495	2
8381 Share of other comprehensive income on subsidiaries and associates (Note 6(23))	125	-	308	-
8399 Income tax benefit (expense) related to components of other comprehensive income (Note 6(28))	10,656	-	(38,728)	-
Other comprehensive income (loss) for the period, net of income tax	126,809	1	234,609	3
8500 Total Comprehensive Income for the Period	\$ 3,015,629	11	\$ 1,233,747	12
9750 Basic Earnings Per Share (Note 6(29))	\$ 12.81		\$ 4.43	
9850 Diluted Earnings Per Share (Note 6(29))	\$ 12.74		\$ 4.40	

(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, 2023 and 2022

Unit : NT\$1,000

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

Items	Equity Attributable to Shareholders of the Parent							
						Other Equity		
						Accumulated Balances of Exchange Differences on Translating Foreign Operations	Unrealized Gain/Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Total Equity
	Retained Earnings							
Common Stock	Capital Surplus	Legal Reserve	Special reserve	Unappropriated earnings				
Balance, January 1, 2023	\$ 2,255,409	\$ 2,853,613	\$ 1,225,456	\$ 362,153	\$ 2,132,806	\$ (231,024)	\$ 97,316	\$ 8,695,729
Appropriation of prior year's earnings:								
Legal reserve	-	-	100,644	-	(100,644)	-	-	-
Special reserve	-	-	-	(228,445)	228,445	-	-	-
Cash dividends	-	-	-	-	(789,393)	-	-	(789,393)
Net income for the year ended December 31, 2023	-	-	-	-	2,888,820	-	-	2,888,820
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	(1,638)	(42,500)	170,947	126,809
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	2,887,182	(42,500)	170,947	3,015,629
From share of changes in equities of subsidiaries	-	7,449	-	-	-	-	-	7,449
Balance, December 31, 2023	\$ 2,255,409	\$ 2,861,062	\$ 1,326,100	\$ 133,708	\$ 4,358,396	\$ (273,524)	\$ 268,263	\$ 10,929,414

(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, 2023 and 2022

Unit : NT\$1,000

	<u>For the Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Cash Flows from Operating Activities</u>		
Income before income tax	\$ 3,599,480	\$ 1,265,222
Adjustments for		
Depreciation expense	56,456	22,111
Amortization expense	8,259	5,917
Bad debt expenses (Gain on reversal of bad debts)	(107,506)	66,185
Loss (gain) on financial assets at fair value through profit and loss	(54,109)	109,934
Interest expense	20,343	19,758
Interest income	(264,685)	(53,531)
Dividend income	(20,972)	(22,272)
Share of profits of associates and joint venture by using equity method	(804,657)	(366,175)
Loss (gain) on disposal of property, plant and equipment	(18)	(22)
Loss (gain) from lease modification	(173)	-
Changes in operating assets and liabilities:		
Decrease (increase) in current contract assets	251,809	(328,632)
Decrease (increase) in accounts and notes receivable	(4,039,965)	105,987
Decrease (increase) in accounts receivable - related parties	22,084	(139,166)
Decrease (increase) in other receivables	(335,433)	63,026
Decrease (increase) in other receivables - related parties	269,398	(1,546)
Decrease (increase) in inventories, net	760	2,132
Decrease (increase) in prepayments	4,033,695	(8,578,331)
Decrease (increase) in other current assets	9,089	7,652
Increase (decrease) in current contract liabilities	(5,599,953)	12,399,375
Increase (decrease) in notes and accounts payable	6,265,714	730,281
Increase (decrease) in notes and accounts payable - related parties	(533)	(577)
Increase (decrease) in other payables	124,637	137,428
Increase (decrease) in provisions	144,553	53,187
Increase (decrease) in other current liabilities	6,365	4,228
Increase (decrease) in accrued pension liabilities	(1,774)	(1,926)
Cash generated from operations	<u>3,582,864</u>	<u>5,500,245</u>

(To be continued)

L&K Engineering Co., Ltd.
Parent Company Only Statements of Cash Flows (Cont'd)
For the Years Ended December 31, 2023 and 2022

Unit : NT\$1,000

	<u>For the Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest received	\$ 258,380	\$ 55,310
Dividend received	185,348	100,000
Interest paid	(18,800)	(19,503)
Income tax paid	<u>(395,259)</u>	<u>(294,946)</u>
Net Cash Provided by (Used in) Operating Activities	<u>3,612,533</u>	<u>5,341,106</u>
<u>Cash Flows from Investing Activities</u>		
Acquisition of financial assets at fair value through profit or loss	-	(4,620)
Acquisition of investments accounted for under the equity method	(483,978)	-
Acquisition of property, plant and equipment	(7,035)	(7,547)
Proceeds from disposal of property, plant and equipment	18	42
Acquisition of investment property	-	(284)
Acquisition of intangible assets	(5,053)	(7,796)
Decrease (increase) in other financial assets	<u>10,333</u>	<u>131,977</u>
Net Cash Provided by (Used in) Investing Activities	<u>(485,715)</u>	<u>111,772</u>
<u>Cash Flows from Financing Activities</u>		
Increase (decrease) in short-term debt	(500,000)	480,000
Increase (decrease) in short-term notes and bills payable	(200,000)	(400,000)
Increase (decrease) in long-term notes and bills payable	250,000	1,703,387
Decrease in long-term notes and bills payable	(553,696)	(2,407,086)
Increase (decrease) in guarantee deposit received	2,037	(2,271)
Repayment of the principal portion of lease liabilities	(42,912)	(9,637)
Cash dividend paid	<u>(789,393)</u>	<u>(338,311)</u>
Net Cash Generated by (Used in) Investing Activities	<u>(1,833,964)</u>	<u>(973,918)</u>
Effect of exchange rate changes	<u>11,336</u>	<u>27,141</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,304,190	4,506,101
Cash and Cash Equivalents at Beginning of Period	<u>5,757,506</u>	<u>1,251,405</u>
Cash and Cash Equivalents at End of Period	<u>\$ 7,061,696</u>	<u>\$ 5,757,506</u>

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

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2023 and 2022

(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 13, 2024.

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, 2023. 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:

New Standards or Amendments	The Main Amendments	Effective Date
(e) 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, 2024
(f) 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
(g) 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
(h) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.	January 1, 2024

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

(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 Company are as follows:

New Standards or Amendments	The Main Amendments	Effective Date
(D) 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
(E) 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. 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.	January 1, 2023

<u>New Standards or Amendments</u>	<u>The Main Amendments</u>	<u>Effective Date</u>
(F) Lack of Exchangeability – Amendments to IAS 21	These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.	January 1, 2025

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

For inventories, assets arising from construction contracts, deferred income tax assets, assets arising from employee benefits, non-current assets classified as held for sale, and non-financial assets other than biological assets, assess whether impairment has occurred at the end of each reporting period. If any of those indications is present, an estimate of recoverable amount is made. If the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated to assess impairment.

The recoverable amount is the higher of an individual asset's or cash-generating unit's fair value less costs of disposal and its value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, the carrying amount of the individual asset or cash-generating unit is adjusted to reduce to the recoverable amount, and an impairment loss is recognized. Impairment losses are recognized immediately in profit or loss for the period. It is reassessed at the end of each reporting period whether there are indications that impairment losses recognized in prior years for non-financial assets other than goodwill may have ceased to exist or have decreased. If there is any change in the estimate used to determine the recoverable amount, the impairment loss is reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, but not more than the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are regularly tested for impairment every year, and impairment losses are recognized for the part whose recoverable amount is lower than the book value.

For the purposes of impairment testing, goodwill arising from a business combination is allocated to each cash-generating unit (or group of cash-generating units) of the Group that is expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is lower than its book value, the impairment loss is firstly reduced to the book value of the goodwill that has been allocated to the cash-generating unit, and secondly apportioned in proportion to the book value of each asset in the unit. The recognized goodwill impairment loss cannot be reversed in subsequent periods.

(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 rereasurement, 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 or 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, 2023	Dec. 31, 2022
Cash on hand	\$ 2,341	\$ 1,558
Savings accounts	1,829,084	620,134
Time deposits	5,230,271	4,881,942
Cash equivalents - commercial paper	-	253,872
Total	<u>\$ 7,061,696</u>	<u>\$ 5,757,506</u>

(2) Financial Asset at Fair Value through Profit or Loss – Current

Items	Dec. 31, 2023	Dec. 31, 2022
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 246,467	\$ 192,358
Foreign bank debentures	4,620	4,620
Total	<u>\$ 251,087</u>	<u>\$ 196,978</u>

Items	Dec. 31, 2023	Dec. 31, 2022
Financial assets at fair value through profit or loss - current	<u>\$ 246,467</u>	<u>\$ 192,358</u>
Financial assets at fair value through profit or loss – non current	\$ 4,620	\$ 4,620

Items	For the Years Ended December 31	
	2023	2022
Revaluation profit or (loss) of financial assets mandatorily measured at fair value through profit or loss	\$ 54,109	\$ (109,934)

(3) Accounts and Notes Receivable, net

(C) Details are as follows:

Items	Dec. 31, 2023	Dec. 31, 2022
Notes receivable	\$ 2,520	\$ 2,520
Accounts receivable	5,375,020	1,335,055
Accounts receivable - related parties	224,604	246,688
Total	5,602,144	1,584,263
Less: Loss allowance	(7,191)	(3,022)
Net	\$ 5,594,953	\$ 1,581,241

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, 2023								
		0~	61~	91~	181~	366~	Past due over	
	Not past due	60 day	90 day	180 day	365 day	730 day	731 day	Total
Expected credit								
loss rate	0.1%	-	-	-	-	-	100%	-
Total amount	\$ 5,600,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,416	\$ 5,602,144
Loss allowance	(5,775)	-	-	-	-	-	(1,416)	(7,191)
Amortized cost	\$ 5,594,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,594,953
December 31, 2022								
		0~	61~	91~	181~	366~	Past due over	
	Not past due	60 day	90 day	180 day	365 day	730 day	731 day	Total
Expected credit								
loss rate	0.1%	-	4%~10%	-	-	-	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

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, 2023	
Neither past due nor impaired	\$ 5,594,953	\$ 1,581,241
Past due but not impaired		
Past due 0~60 days	-	-
Past due 61~90 days	-	-
Past due 91~180 days	-	-
Past due 181~365 days	-	-
Past due over 365 days	-	-
Total	\$ 5,594,953	\$ 1,581,241

(4) Other Receivables, net

Items	Dec. 31, 2022	
	Dec. 31, 2023	
Other receivables	\$ 349,240	\$ 13,488
Less: Loss allowance	(2,880)	(10,792)
Net	\$ 346,360	\$ 2,696

Movement in the provision for impairment of other receivables:

Items	For the Years Ended December 31,	
	2023	2022
Beginning balance	\$ 10,792	\$ 11,618
The amount charged or reversed for the period	(3)	(826)
The amount written-off for the period	(7,909)	-
Ending balance	\$ 2,880	\$ 10,792

(5) Inventories, net

Items	Dec. 31, 2022	
	Dec. 31, 2023	
Merchandise inventories	\$ 18,894	\$ 19,653
Less: allowance to reduce inventory to market value	(9,113)	(9,113)
Net	\$ 9,781	\$ 10,540

The market price decline and obsolete loss for inventories amounted to \$0 for the years ended December 31, 2023 and 2022, respectively.

(6) Prepayments

Items	Dec. 31, 2022	
	Dec. 31, 2023	
Prepaid expenses	\$ 4,487	\$ 3,166
Advance payments	4,804,481	8,827,518
Other prepayments	99	13,412
Total	\$ 4,809,067	\$ 8,844,096

(7) Other Financial Assets

Items	Dec. 31, 2023	Dec. 31, 2022
Time deposits with maturity of more than three months	\$ 253,708	\$ 247,183
Restricted assets	350,195	105,313
Guarantee deposits paid	17,289	279,029
Total	<u>\$ 621,192</u>	<u>\$ 631,525</u>

Items	Dec. 31, 2023	Dec. 31, 2022
Other financial assets - current	<u>\$ 603,903</u>	<u>\$ 617,586</u>
Other financial assets - noncurrent	<u>\$ 17,289</u>	<u>\$ 13,939</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, 2023	Dec. 31, 2022
Equity instrument investments		
Listed companies stocks	\$ 450,033	\$ 218,942
Unlisted companies stocks	148,125	208,269
Total	<u>\$ 598,158</u>	<u>\$ 427,211</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,	
	2023	2022
Equity instrument at Fair Value Through Other Comprehensive Income		
The gain or loss in recognized in other comprehensive income	<u>\$ 170,947</u>	<u>\$ 73,227</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, 2023	Dec. 31, 2022
Subsidiaries	\$ 8,696,396	\$ 7,632,600
Associates	-	-
Total	<u>\$ 8,696,396</u>	<u>\$ 7,632,600</u>

(A) Subsidiaries:

Investee companies	December 31, 2023		
	Cost	Ownership percentage	Carrying amount
RSEA Engineering Corporation (privatized 2009)	\$ 3,009,567	84.79%	\$ 3,548,993
L&K Engineering Co., Ltd. (BVI)	1,615	100.00%	670,422
L&K Engineering (Suzhou) Co., Ltd.	508,104	53.99%	3,450,134
Unique Grand Limited	1,821,916	51.71%	1,026,847
Total	<u>\$ 5,341,202</u>		<u>\$ 8,696,396</u>

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	<u>\$ 4,857,224</u>		<u>\$ 7,632,600</u>

(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,	
	2023	2022
RSEA Engineering Corporation (privatized 2009)	\$ 61,052	\$ 40,715
L&K Engineering Co., Ltd. (BVI)	18,700	83
L&K Engineering (Suzhou) Co., Ltd.	764,124	365,944
Unique Grand Limited	(39,219)	(40,567)
Total	<u>\$ 804,657</u>	<u>\$ 366,175</u>

Share of the profit of RSEA Engineering Corporation (privatized 2009) recognized for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

(B) Associates:

Investee company	December 31, 2023		
	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, 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>

- (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, 2023 and 2022.
- (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%.
- (c) Cash capital increase of RSEA Engineering Corporation (privatized 2009) was resolved in the board of directors' meeting held on September 26, 2023, to issue 50,000 thousand shares with a par value \$10 dollars per share issuance price of \$10.5 per share. October 10, 2023 was the base date for cash subscription, and the registration was completed on December 15, 2023. The board of directors of the Company approved participating in the cash capital increase of RSEA Engineering Corporation (privatized 2009) Corporation on October 6, 2023. The Company unproportionally subscribed 46,093 thousand shares, at \$483,978 thousand, causing the shareholding ratio changed from 83.65% to 84.79%.

(10) Property, Plant and Equipment

Changes in property, plant and equipment of the Company for the years ended December 31, 2023 and 2022 were as follows:

For the Year Ended December 31, 2023:

Cost	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of exchange rate changes	Ending balance
Land	\$ 75,993	\$ -	\$ -	\$ -	\$ -	\$ 75,993
Buildings	277,600	-	-	(555)	3,608	280,653
Machinery and equipment	31,001	143	-	(484)	-	30,660
Computer equipment	41,956	3,876	-	(6,871)	98	39,059
Transportation equipment	6,535	413	-	-	64	7,012
Office equipment	12,105	-	-	(180)	58	11,983
Leasehold improvements	7,031	2,436	-	-	-	9,467
Other equipment	14,209	167	-	(24)	94	14,446
Total	<u>\$ 466,430</u>	<u>\$ 7,035</u>	<u>\$ -</u>	<u>\$ (8,114)</u>	<u>\$ 3,922</u>	<u>\$ 469,273</u>

Accumulated depreciation	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of exchange rate changes	Ending balance
Buildings	\$ (85,660)	\$ (6,489)	\$ -	\$ 555	\$ (300)	\$ (91,894)
Machinery and equipment	(30,638)	(170)	-	484	-	(30,324)
Computer equipment	(29,500)	(5,511)	-	6,871	(70)	(28,210)
Transportation equipment	(5,696)	(269)	-	-	(61)	(6,026)
Office equipment	(10,366)	(333)	-	180	(43)	(10,562)
Leasehold improvements	(6,914)	(425)	-	-	-	(7,339)
Other equipment	(13,175)	(311)	-	24	(80)	(13,542)
Total	<u>\$ (181,949)</u>	<u>\$ (13,508)</u>	<u>\$ -</u>	<u>\$ 8,114</u>	<u>\$ (554)</u>	<u>\$ (187,897)</u>

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>

Carrying amount	Dec. 31, 2023	Dec. 31, 2022
Land	\$ 75,993	\$ 75,993
Buildings	188,759	191,940
Machinery and equipment	336	363
Computer equipment	10,849	12,456
Transportation equipment	986	839
Office equipment	1,421	1,739
Leasehold improvements	2,128	117
Other equipment	904	1,034
Total	<u>\$ 281,376</u>	<u>\$ 284,481</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, 2023 and 2022 were as follows:

For the Year Ended December 31, 2023:

Cost	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change in exchange rate	Ending balance
Buildings	\$ 83,622	\$ 2,405	\$ -	\$ (40,278)	\$ 1,093	\$ 46,842
Transportation equipment	-	6,646	-	-	-	6,646
Total	<u>\$ 83,622</u>	<u>\$ 9,051</u>	<u>\$ -</u>	<u>\$ (40,278)</u>	<u>\$ 1,093</u>	<u>\$ 53,488</u>
Accumulated depreciation	Beginning balance	Additions	Reclassification	Disposal / Transfer	Effect of change in exchange rate	Ending balance
Buildings	\$ (8,685)	\$ (41,758)	\$ -	\$ 20,940	\$ (530)	\$ (30,033)
Transportation equipment	-	(404)	-	-	-	(404)
Total	<u>\$ (8,685)</u>	<u>\$ (42,162)</u>	<u>\$ -</u>	<u>\$ 20,940</u>	<u>\$ (530)</u>	<u>\$ (30,437)</u>

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>
Accumulated depreciation	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change 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>

Carrying amount	Dec. 31, 2023	Dec. 31, 2022
Buildings	\$ 16,809	\$ 74,937
Transportation equipment	6,242	-
Total	<u>\$ 23,051</u>	<u>\$ 74,937</u>

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, 2023 and 2022 were as follows:

For the Year Ended December 31, 2023:

Items	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change in exchange rate	Ending balance
Land	\$ 68,001	\$ -	\$ -	\$ -	\$ -	\$ 68,001
Building	40,064	-	-	-	-	40,064
Accumulated depreciation	(15,231)	(786)	-	-	-	(16,017)
Net value	<u>\$ 92,834</u>	<u>\$ (786)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,048</u>

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>

(A) Rental revenue of investment property

For the Years Ended December 31,	
2023	2022
\$ 3,132	\$ 3,029

(B) The above invest properties were not pledged as any collateral.

(C) The fair value of investment properties was \$230,146 thousand and \$215,612 thousand both on December 31, 2023 and 2022, respectively. The valuation was based on independent experts' reports, which adopted the market value method.

(13) Intangible Assets

For the year ended December 31, 2023:

Items	Beginning balance	Additions	Reclassification	Disposal/ Transfer	Effect of change in exchange rate	Ending balance
Computer software	\$ 40,522	\$ 5,053	\$ -	\$ -	\$ 117	\$ 45,692
Accumulated amortization	(33,207)	(7,701)	-	-	(91)	(40,999)
Net value	<u>\$ 7,315</u>	<u>\$ (2,648)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 4,693</u>

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>

(14) Short-Term Borrowings

Items	Dec. 31, 2023	Dec. 31, 2022
Unsecured bank loan	\$ 100,000	\$ 600,000
Interest rate	1.75%	1.35%~1.76%

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

(15) Short-Term Notes and Bills payable

Items	Dec. 31, 2023	Dec. 31, 2022
Short-term notes payable	\$ -	\$ 200,000
Less: Discounts on notes payable	-	(453)
Net	\$ -	\$ 199,547
Interest rate	-	1.55%~1.73%

(16) Provisions

Items	For the Years Ended December 31,	
	2023	2022
Balance, January 1	\$ 227,909	\$ 174,722
Increase in the period	145,201	53,748
Use in the period	(648)	(561)
Balance, December 31	\$ 372,462	\$ 227,909

Items	Dec. 31, 2023	Dec. 31, 2022
Current	\$ 372,462	\$ 227,909
Noncurrent	-	-
Total	\$ 372,462	\$ 227,909

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, 2023		
	Future minimum lease payments	Interest	Present value of future minimum lease payments
Current	\$ 15,129	\$ 280	\$ 14,849
Noncurrent	8,590	198	8,392
Total	\$ 23,719	\$ 478	\$ 23,241

Dec. 31, 2022			
Items	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	<u>\$ 76,353</u>	<u>\$ 1,285</u>	<u>\$ 75,068</u>

(a) The information of lease agreements of the Company were as follows:

Items in statement of comprehensive income	For the Years Ended December 31,	
	2023	2022
Interest expense on lease liabilities	<u>\$ 981</u>	<u>\$ 308</u>
Expense related to short-term leases	<u>\$ 18,818</u>	<u>\$ 20,179</u>
Expense related to low-value assets	<u>\$ -</u>	<u>\$ -</u>

(b) For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases was \$62,711 thousand and \$30,124 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, 2023	Dec. 31, 2022
Secured bank loan	\$ 30,569	\$ 34,265
Unsecured bank loan	100,000	400,000
Less: current portion due in one year or one operating cycle	<u>(3,822)</u>	<u>(203,764)</u>
Net	<u>\$ 126,747</u>	<u>\$ 230,501</u>
Interest rate	<u>2.02%~2.094%</u>	<u>1.85%~2.49%</u>

(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 \$20,133 thousand and \$18,746 thousand for the years ended December 31, 2023 and 2022 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 \$866 thousand and \$703 thousand for the years ended December 31, 2023 and 2022 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,	
	2023	2022
Current service cost	\$ 499	\$ 428
Net interest expense	367	275
Components of defined benefit costs recognized in profit or loss	866	703
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(534)	(5,123)
Actuarial gains and losses arising from experience adjustments	1,603	1,862
Actuarial gains and losses arising from changes in financial assumptions	891	(5,882)
Actuarial gains and losses arising from change in demographics assumption	88	9
Components of defined benefit costs recognized in other comprehensive income	2,048	(9,134)
Total	\$ 2,914	\$ (8,431)

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

Items	Dec. 31, 2023	Dec. 31, 2022
Present value of defined benefit obligation	\$ 94,437	\$ 94,298
Fair value of plan assets	(64,651)	(64,786)
Net defined benefit liability	\$ 29,786	\$ 29,512

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

Items	For the Years Ended December 31,	
	2023	2022
Beginning balance	\$ 94,298	\$ 103,727
Current service cost	499	428
Interest expense	1,213	704
Benefit paid from plan assets	(4,155)	(6,550)
Actuarial gains and losses arising from experience adjustments	1,603	1,862
Actuarial gains and losses arising from change in demographics assumption	88	9
Actuarial gains and losses arising from changes in financial assumptions	891	(5,882)
Ending balance	<u>\$ 94,437</u>	<u>\$ 94,298</u>

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

Items	For the Years Ended December 31,	
	2023	2022
Beginning balance	\$ 64,786	\$ 63,156
Expected return of plan assets	846	429
Contributions from employer	2,640	2,628
Benefit paid from plan assets	(4,155)	(6,550)
Return on plan assets	534	5,123
Ending balance	<u>\$ 64,651</u>	<u>\$ 64,786</u>

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

Year	Amount
2024	\$ 2,420
2025	5,125
2026	3,056
2027	13,546
2028	3,735
Over 2029	76,939

The Company expects to make a contribution of \$2,631 thousand to the defined benefit pension plan within one year from December 31, 2023.

The weighted average duration of the defined benefit plan was 9 years on December 31, 2023.

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

Items	Pension plan	
	Dec. 31, 2023	Dec. 31, 2022
Cash	100%	100%
Equity instruments	-	-
Debt instruments	-	-
Others	-	-

The actual reward of the plan assets in 2023 and 2022 were \$1,381 thousand and \$5,552 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, 2023 and 2022 as follows:

Items	Dec. 31, 2023	Dec. 31, 2022
Deposit in financial institutions	15.62%	16.34%
Loan to government and government-owned enterprises	-	-
Investment of stock and beneficiary certificate	11.79%	12.89%
Short-term bills	4.79%	4.11%
Government bonds, financial bonds, and corporate bond	7.59%	6.49%
Overseas investment	49.64%	50.16%
Others	10.57%	10.01%

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

Items	Dec. 31, 2023	Dec. 31, 2022
Discount rate	1.20%	1.30%
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, 2023		
	Increase	Decrease
Effect on the defined benefit obligation	\$ (2,209)	\$ 2,288

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

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

For the Year Ended December 31, 2023		
	Increase	Decrease
Effect on the defined benefit obligation	\$ 2,262	\$ (2,197)

For the Year Ended December 31, 2022		
	Increase	Decrease
Effect on the defined benefit obligation	\$ 2,363	\$ (2,292)

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, 2023	Dec. 31, 2022
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, 2023	Dec. 31, 2022
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	13,127	5,678
Total	<u>\$ 2,861,062</u>	<u>\$ 2,853,613</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:
- (a) Payments of all taxes, if any
 - (b) To offset deficit in prior years, if any
 - (c) To set aside 10% of the remaining amount as legal reserve after deducting items (a) and (b)
 - (d) To set aside special reserve, if required
 - (e) 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 2022 had been resolved in the shareholders' meeting held on June 26, 2023. The appropriations of earnings for 2021 had been resolved in the shareholders' meeting held on June 24, 2022. The appropriations and dividends per share were as follows:

Items	For the Years Ended December 31,			
	2022		2021	
	Amount	Per share (dollar)	Amount	Per share (dollar)
Legal reserve	\$ 100,644		\$ 32,693	
Special reserve	-		-	
Cash dividends	789,393	\$ 3.5	338,311	\$ 1.5
Total	<u>\$ 890,037</u>	<u>\$ 3.5</u>	<u>\$ 371,004</u>	<u>\$ 1.5</u>

The appropriations of earnings of 2023 was resolved in the board of directors' meeting held on March 13, 2024. The appropriation included legal reserve \$288,718 thousand and cash dividends \$2,092,868 thousand (\$9 dollars per share).

- (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,	
	2023	2022
Beginning balance	\$ (231,024)	\$ (386,242)
Increase (decrease) in the period	(53,281)	192,495
Share of other comprehensive income of subsidiaries and associates	125	308
Income tax	10,656	(38,728)
Changes in share of ownership of subsidiaries	-	1,143
Ending balance	<u>\$ (273,524)</u>	<u>\$ (231,024)</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,	
	2023	2022
Beginning balance	\$ 97,316	\$ 24,089
Valuation of profit (loss) for the period	170,947	73,227
Disposal of financial assets	-	-
Income tax	-	-
Ending balance	<u>\$ 268,263</u>	<u>\$ 97,316</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,	
	2023	2022
Construction contract revenue	\$ 29,065,587	\$ 10,804,985
Sales revenue	36,015	272
Total	<u>\$ 29,101,602</u>	<u>\$ 10,805,257</u>

(a) Segmentation of customer contract revenue :

The revenue can be subdivided into the following major regional markets:

Items	For the Year Ended December 31, 2023		
	Taiwan	Other countries	Total
External customer contract revenue	<u>\$ 6,059,791</u>	<u>\$ 23,041,811</u>	<u>\$ 29,101,062</u>

Items	For the Year Ended December 31, 2022		
	Taiwan	Other countries	Total
External customer contract revenue	<u>\$ 10,755,726</u>	<u>\$ 49,531</u>	<u>\$ 10,805,257</u>

(b) Contract assets and contract liabilities :

Items	Dec. 31, 2023	Dec. 31, 2022
Contract assets		
Retainables for receivables	\$ 388,672	\$ 236,430
Retainables for receivables – related parties	216,863	24,102
Real estate construction	<u>1,232,971</u>	<u>1,829,783</u>
Subtotal	\$ 1,838,506	\$ 2,090,315
Less: loss allowance	<u>(490)</u>	<u>(112,162)</u>
Net value	<u>\$ 1,838,016</u>	<u>\$ 1,978,153</u>

Items	Dec. 31, 2023	Dec. 31, 2022
Contract liabilities		
Real estate construction	<u>\$ 8,279,185</u>	<u>\$ 13,879,258</u>

(25) Expected credit impairment loss (benefit)

	For the Years Ended December 31,	
	2023	2022
(A) Expected credit impairment loss (benefit)	\$ (107,506)	\$ 66,185

(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, 2023				
	Notes receivable	Accounts receivable	Contract assets	Other receivables	Total
Beginning balance	\$ 25	\$ 2,997	\$ 112,162	\$ 10,792	\$ 125,976
Amount incurred in the current period	-	4,169	(111,672)	(3)	(107,506)
Write-off in the current period	-	-	-	(7,909)	(7,909)
Ending balance	\$ 25	\$ 7,166	\$ 490	\$ 2,880	\$ 10,561

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

(26) Employee Benefits Expense, Depreciation and Amortization

Employee benefits expense:

Items	For the Years Ended December 31,					
	2023			2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
expense	\$ 570,408	\$ 364,723	\$ 935,131	\$ 441,771	\$ 194,388	\$ 636,159
Salary	512,729	279,186	791,915	391,209	146,230	537,439
Labor and health						
insurance	28,938	12,795	41,733	27,264	10,622	37,886
Pension	15,981	5,018	20,999	14,917	4,532	19,449
Remuneration						
to directors	-	39,659	39,659	-	19,391	19,391
Others	12,760	28,065	40,825	8,381	13,613	21,994
Depreciation	49,048	7,408	56,456	15,811	6,300	22,111
Amortization	3,227	5,032	8,259	3,468	2,449	5,917

As of December 31, 2023 and 2022, the Company had 493 and 481 employees, respectively. There was 4 and 5 non-employee directors, respectively.

The average employee benefits expense for 2023 and 2022 was \$1,831 thousand and \$1,296 thousand, respectively.

The average employee salary for 2023 and 2022 was \$1,619 thousand and \$1,129 thousand, respectively. The average employee salary increased by 43.40% from 2022 to 2023.

The supervisor's remuneration for 2023 and 2022 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 \$153,169 thousand and \$76,585 thousand, \$53,839 thousand and \$26,920 thousand for the years ended December 31, 2023 and 2022, 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 13, 2024 approved the employees' compensation and directors' remuneration in the amounts of \$153,169 thousand and \$76,585 thousand in cash for 2023. 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. There is no difference between the aforementioned approved amounts and the accrual amounts of 2023 and 2022.

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,	
	2023	2022
Bank interest	\$ 241,835	\$ 40,376
Others	22,850	13,155
Total	<u>\$ 264,685</u>	<u>\$ 53,531</u>

(B) Other income:

Items	For the Years Ended December 31,	
	2023	2022
Rental income	\$ 3,132	\$ 3,029
Dividend income	20,972	22,272
Total	<u>\$ 24,104</u>	<u>\$ 25,301</u>

(C) Other gains and losses, net:

Items	For the Years Ended December 31,	
	2023	2022
Foreign exchange gain (loss)	\$ (54,313)	\$ 73,934
Gain from lease modification	173	-
Gain (Loss) from disposal of property, plant and equipment	18	22
Gain (loss) on financial assets at fair value through profit and loss	54,109	(109,934)
Others	11,341	35,718
Net	<u>\$ 11,328</u>	<u>\$ (260)</u>

(D) Finance costs:

Items	For the Years Ended December 31,	
	2023	2022
Bank loan interest	\$ 16,307	\$ 18,582
Short-term notes and bills payable interest	3,048	864
Lease liabilities interest	981	308
Other liabilities interest	7	4
Total	<u>\$ 20,343</u>	<u>\$ 19,758</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,	
	2023	2022
Profit from continuing operations	<u>\$ 3,599,480</u>	<u>\$ 1,265,222</u>
Income tax expense at the statutory rate	719,896	253,043
Effect from items disallowed by tax regulation	(26,765)	10,566
Tax effect of deferred income tax assets / liabilities	<u>(111,978)</u>	<u>(34,717)</u>
Current income tax payable	581,153	228,892
Current income tax payable in prior years	10	88
Tax on undistributed surplus earnings	<u>17,243</u>	<u>2,387</u>
Current income tax expense	598,406	231,367
Deferred income tax expense (income)	<u>112,254</u>	<u>34,717</u>
Income tax expense	<u>\$ 710,660</u>	<u>\$ 266,084</u>

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

Items	For the Years Ended December 31,	
	2023	2022
Current income tax expense :		
Current income tax payable	\$ 581,153	\$ 228,892
Current income tax payable in prior years	10	88
Tax on undistributed surplus earnings	17,243	2,387
Deferred income tax expense (income) :		
Temporary differences relating to the origination and reversal of deferred income tax	112,254	34,717
Unrecognized deferred income tax expense (income) of previous period	-	-
Income tax expense	<u>\$ 710,660</u>	<u>\$ 266,084</u>

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

Items	For the Years Ended December 31,	
	2023	2022
Exchange differences on translation of foreign operations	\$ (10,656)	\$ 38,728
Actuarial gain (loss) on defined benefit plans	(410)	1,827
Income tax relating to components of other comprehensive income	<u>\$ (11,066)</u>	<u>\$ 40,555</u>

(D) Deferred income tax assets (liabilities) was as follows:
For the Year Ended December 31, 2023

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	(313,642)	(120,207)	-	-	-	(433,849)
Impairment loss	6,957	-	-	-	-	6,957
Provision - repair warranty	45,581	28,911	-	-	-	74,492
Loss Allowance	21,782	(21,777)	-	-	-	5
Accrued pension liability	6,644	-	410	-	-	7,054
Foreign exchange gains and losses	(3,196)	1,072	-	-	-	(2,124)
Gross loss of engineering	5,170	(253)	-	-	-	4,917
Exchange differences on translation of foreign operations	45,941	-	10,656	-	-	56,597
Deferred income tax (expense) income		<u>\$ (112,254)</u>	<u>\$ 11,066</u>	<u>\$ -</u>	<u>\$ -</u>	
Deferred income tax assets (liabilities), net	<u>\$ (182,941)</u>					<u>\$ (284,129)</u>
Presentation in the balance sheet:						
Deferred income tax assets	<u>\$ 84,761</u>					<u>\$ 93,124</u>
Deferred income tax liabilities	<u>\$ (267,702)</u>					<u>\$ (377,253)</u>

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>

(E) The Company's income tax returns for the years through 2021 have been examined by the tax authority.

(29) Earnings Per Share

For the Year Ended December 31, 2023			
	Amount	Number of shares (thousand)	Earnings per share (NT\$)
Basic earnings per share:			
Net income available to common shareholders	\$ 2,888,820	225,541	\$ <u>12.81</u>
Assumed conversion of all dilutive potential ordinary shares:			
Employee's compensation (Note)	-	1,124	
Net income available to shareholders (including effect of dilutive potential common shares)	\$ <u>2,888,820</u>	<u>226,665</u>	\$ <u>12.74</u>

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	\$ <u>4.43</u>
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)	\$ <u>999,138</u>	<u>227,093</u>	\$ <u>4.40</u>

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 \$9,051 thousand and \$83,622 thousand in 2023 and 2022, respectively.

(B) The Company amended its lease contract, so the right-of-use assets and the lease liability dropped by \$19,338 thousand and \$234 thousand in 2023 and 2022, respectively.

(31) Reconciliation of liabilities with financing activities

(A) Reconciliation information on liabilities in 2023:

Items	Beginning balance	Cash flow	Change in non-cash	Exchange rate changes	Ending balance
Short-term borrowings	\$ 600,000	\$ (500,000)	\$ -	\$ -	\$ 100,000
Short-term notes and bills payable	199,547	(200,000)	453	-	-
Long-term borrowings (including the portion expiring within one year)	434,265	(303,696)	-	-	130,569
Guarantee deposits received	9,856	2,037	-	-	11,893
Lease liability (including the portion expiring within one year)	75,068	(42,912)	(10,424)	1,509	23,241

(B) Reconciliation information on liabilities in 2022:

Items	Beginning balance	Cash flow	Interest paid	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

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
St. John's University	Same Chairman as The Company

(2) Significant Transactions with Related Parties

(A) Operating Revenues:

	For the Years Ended December 31,	
	2023	2022
Subsidiaries	\$ 1,599,673	\$ 591,084

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, 2023 and 2022, \$2,400 thousand per year were recognized as rental expenses.

(C) Contract Assets - Current:

	Dec. 31, 2023	Dec. 31, 2022
Retainables for receivables - related parties		
Subsidiaries	\$ 216,863	\$ 24,102

(D) Accounts Receivable - Related Parties:

	Dec. 31, 2023	Dec. 31, 2022
Subsidiaries	\$ 224,604	\$ 246,688
Less: loss allowance	-	-
Net	\$ 224,604	\$ 246,688

(E) Other Receivables- Related Parties, Net (For financing purpose) :

For the Year Ended December 31, 2023

	Maximum balance	Ending balance	Interest rate	Interest revenue
Subsidiaries	\$ 474,135	\$ -	3.50%	\$ 6,124

For the Year Ended December 31, 2022

	Maximum balance	Ending balance	Interest rate	Interest revenue
Subsidiaries	\$ 483,005	\$ 271,320	3.50%	\$ 11,093

(F) Accounts Payable - Related Parties:

	Dec. 31, 2023	Dec. 31, 2022
Subsidiaries	\$ 3,999	\$ 4,412

The above accounts payable - related parties occurred because the subsidiaries were subcontracted by the Company.

(G) Other Intercompany Debts:

	Items	Dec. 31, 2023	Dec. 31, 2022
Key management	Refundable deposits	\$ 500	\$ 500
Subsidiaries	Advance construction receipts	\$ 2,486,520	\$ 1,023,968

(H) Donation expenses:

	Dec. 31, 2023	Dec. 31, 2022
Other related parties	\$ 20,000	\$ -

In order to implement the Company's multiple-value concepts, fulfill social responsibilities, strengthen human resources inheritance management and enhances market's competitiveness, starting from 2023, the Group planned to donate to other related parties for four consecutive years. The amount shall be no more than 5% of the pre-tax surplus of the previous year, and the total amount shall not exceed \$20,000 thousand dollars.

(I) Endorsement / Guarantee provided:

	For the Years Ended December 31,			
	2023		2022	
	Maximum balance	Ending balance	Maximum balance	Ending balance
Subsidiaries	\$ 1,863,000	\$ 1,863,000	\$ 1,863,000	\$ 1,863,000
Indirect Subsidiaries	55,053	26,143	50,256	50,256
Total	\$ 1,918,053	\$ 1,889,143	\$ 1,913,256	\$ 1,913,256

(J) 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, 2023 and 2022 were as below :

	December 31, 2023		December 31, 2022	
	Amount	The amount of company by percentage	Amount	The amount of company by percentage
Joint control of operating assets	\$ 641,542	\$ 256,617	\$ 611,899	\$ 244,759
Joint control of operating liabilities	\$ 641,542	\$ 256,617	\$ 582,917	\$ 233,167

	For the Years Ended December 31,			
	2023		2022	
Operating income from joint control engineering	\$ 1,784,133	\$ 713,654	\$ 2,433,142	\$ 973,255
Operating cost from joint control engineering	\$ 1,813,115	\$ 725,246	\$ 2,427,928	\$ 971,171

	For the Years Ended December 31,			
	2023		2022	
	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	\$ 15,309,370	\$ 6,123,748	\$ 13,525,237	\$ 5,410,094
Cumulative operating cost that has been recognized from joint control engineering	\$ 15,309,370	\$ 6,123,748	\$ 13,496,255	\$ 5,398,502

(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, 2023 and 2022 are listed in the financial statements together with the Company's joint contracting ratios are as follows:

	December 31, 2023		December 31, 2022	
	Amount	The amount of company by percentage	Amount	The amount of company by percentage
Joint control of operating assets	\$ 872,448	\$ 87,245	\$ 797,913	\$ 79,791
Joint control of operating liabilities	\$ 488,730	\$ 48,873	\$ 499,205	\$ 49,920
	For the Years Ended December 31,			
	2023		2022	
Operating income from joint control engineering	\$ 553,038	\$ 55,303	\$ 482,582	\$ 48,259
Operating cost from joint control engineering	\$ 468,028	\$ 46,802	\$ 408,401	\$ 40,841
	For the Years Ended December 31,			
	2023		2022	
	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	\$ 2,496,283	\$ 249,628	\$ 1,943,245	\$ 194,325
Cumulative operating cost that has been recognized from joint control engineering	\$ 2,112,565	\$ 211,256	\$ 1,644,537	\$ 164,454

(K) The Remuneration of Directors, Supervisors and Management Personnel Information:

The remuneration of directors and members of key management were as follows:

	For the Years Ended December 31,	
Items	2023	2022
Short-term benefits	\$ 37,527	\$ 29,616

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, 2023	Dec. 31, 2022
Restricted assets:		
Time deposits	\$ 350,195	\$ 105,313
Property, plant and equipment	57,409	59,405
Total	<u>\$ 407,604</u>	<u>\$ 164,718</u>

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

- (1)As of December 31, 2023 and December 31, 2022, the Company entered into unfinished construction contracts of \$86,914,838 thousand and \$85,332,169 thousand, respectively (recognized revenue and orders on hand included).
- (2)As of December 31, 2023 and December 31, 2022, the Company had guarantee notes payable for performance bonds, advance payment, warranty, and bid bonds of \$15,524,935 thousand and \$14,458,894 thousand , respectively.
- (3)As of December 31, 2023 and December 31, 2022, the Company had guarantee notes receivable for performance bonds and warranty of \$7,063,217 thousand and \$6,692,989 thousand, respectively.
- (4)As of December 31, 2023 and December 31, 2022, the Company had unused loan credits amounted to \$4,399,949 thousand and \$3,689,957 thousand, respectively.
- (5)As of December 31, 2023 and December 31, 2022, utilized endorsement and guarantee provided by banks for performance bonds were \$1,159,286 thousand and \$1,652,443 thousand, respectively.
- (6)As of December 31, 2023 and December 31, 2022, the Company's issued letters of credit were \$0 thousand and \$6,550 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.
- (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 be negotiated in private by the directors of the Company and the person in charge of Hung Bao. The case was transferred to mediation. However, the two parties did not reach a consensus on the settlement items and amounts in the mediation court on August 2, 2023. After the mediation court, the Company discussed with the appointed lawyer and submitted a written petition to the court indicating that it would end the mediation process and return to litigation procedures to the court on August 16, 2023. The case is now reviewing by Taiwan Taipei District Court Summary Court

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

11. **Significant Subsequent Events:**

On November 30, 2023, the Company's board of directors approved to issue ordinary shares through cash capital increase and the fourth domestic unsecured convertible corporate bonds. It planned to issue 7,000 thousand shares of common stock with a par value of \$10 per share, to increase share capital by \$70,000 thousand dollars. Additionally, it proposed to issue 5,000 units of 3-year unsecured convertible corporate bonds with a nominal value of \$100 thousand dollars, totaling issuance amount of \$500,000 thousand dollars and a three-year issuance period. This issuance was approved by the competent authority and became effective on January 2, 2024. The conversion price was set at \$172.5 per share on January 17, 2024, and the amount was fully collected on January 23, 2024. The base date for subscription of cash capital increase was set as March 13, 2024, with an issuance price of \$115 per share of common stock. The conversion price for the unsecured convertible corporate bonds was adjusted to \$171.1 per share.

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 2023.

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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - domestic listed stocks	\$ 246,467	\$ -	\$ -	\$ 246,467
Financial assets at fair value through profit or loss – foreign bank debentures	\$ 4,620	\$ -	\$ -	\$ 4,620
Financial assets at fair value through other comprehensive income-noncurrent	\$ -	\$ 450,033	\$ 148,125	\$ 598,158

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - domestic listed stocks	\$ 192,358	\$ -	\$ -	\$ 192,358
Financial assets at fair value through profit or loss – foreign bank debentures	\$ 4,620	\$ -	\$ -	\$ 4,620
Financial assets at fair value through other comprehensive income-noncurrent	\$ -	\$ 218,942	\$ 208,269	\$ 427,211

For the years ended December 31, 2023 and 2022, 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,	
	2023	2022
Beginning balance	\$ 208,269	\$ 226,002
Recognized in other comprehensive income	(4,321)	(17,733)
Obtained in current period	-	-
Transfer to level 2	(55,823)	-
Ending balance	\$ 148,125	\$ 208,269

(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.31,2023

Non-derivative equity instruments:	Fair value	Evaluation technique	Major unobservable input value	Interval (weighted average)	Input value and fair value relationship
Unlisted company stock	\$ 148,125	Net asset value method	Not applicable	-	Not applicable
Unlisted company stock		Comparable listed companies	<ul style="list-style-type: none"> ●Price to book multiplier ●Discount for lack of marketability 	-	<ul style="list-style-type: none"> ●The higher the multiplier, the higher the fair value ●The higher the discount for lack of marketability, the lower the fair value
	\$ -				

Dec.31,2022

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"> ●Price to book multiplier ●Discount for lack of marketability 	-	<ul style="list-style-type: none"> ●The higher the multiplier, the higher the fair value ●The higher the discount for lack of marketability, the lower the fair value
	\$ 59,419				

(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, 2023		
	input value	Change up or down	Favorable change	Unfavorable change
Financial assets - equity instruments	Net asset value method	±10%	\$ 14,813	\$ (14,813)
	Price to book multiplier	±10%	\$ -	\$ -
	Discount for lack of marketability	±10%	\$ -	\$ -
		December 31, 2022		
	input value	Change up or down	Favorable change	Unfavorable change
Financial assets - equity instruments	Net asset value method	±10%	\$ 14,885	\$ (14,885)
	Price to book multiplier	±10%	\$ 5,942	\$ (5,942)
	Discount for lack of marketability	±10%	\$ 5,942	\$ (5,942)

(B) Categories of financial instruments:

	Dec. 31, 2023	Dec. 31, 2022
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 251,087	\$ 196,678
Financial assets at fair value through other comprehensive income	598,158	427,211
Financial assets at amortized cost:		
Cash and cash equivalents	7,061,696	5,757,506
Accounts receivable	5,941,313	1,855,257
Assets of contract - current	605,045	260,272
Other financial assets	621,192	631,525
	<u>\$ 15,078,491</u>	<u>\$ 9,128,749</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Short-term borrowings, notes and bills payable	\$ 100,000	\$ 799,547
Accounts payables	9,849,030	3,458,984
Long-term borrowings	130,569	434,265
Lease liability	23,241	75,068
Total	<u>\$ 10,102,840</u>	<u>\$ 4,767,864</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, 2023				
	Foreign currency amount (in thousands)	Exchange rate	Book value	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 114,596	30.725	\$	3,520,962
RMB : NTD	101,436	4.330		439,214
SGD : NTD	3,296	23.323		76,873
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 146,502	30.725	\$	4,501,274

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

For the Year Ended December 31, 2023				
	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%	\$	35,210	\$ -
RMB : NTD	1%		4,392	-
SGD : NTD	1%		769	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	45,013	\$ -

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	\$ -

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, 2023 and 2022 were \$(54,313) thousand and \$73,934 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, 2023 and 2022 would have increased/decreased by \$2,511 thousand and \$1,970 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 \$5,982 thousand and \$4,272 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, 2023 and 2022, the Company's long-term borrowings were mainly issued at variable rate, denominated in NTD.

At December 31, 2023 and 2022, 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, 2023 and 2022 would have been increased/decreased by \$1,045 thousand and \$3,474 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, 2023 and 2022, the Company's ten largest customers accounted for 98.58% and 99.64% 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, 2023</u>					
Short-term borrowings (including short-term notes and bills payable)	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Accounts payable	9,849,030	-	-	-	9,849,030
Long-term borrowings	3,822	6,591	115,717	12,351	138,481
Lease liability (including portion expiring within one year)	15,129	4,065	4,525	-	23,719
<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

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: Please see Table D attached.
- (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 E attached.
- (H) Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table F attached.
- (I) Trading in derivative instruments: None.

(2) Information on investees: Please see Table G 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 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 H attached.

(4) Main shareholder information: Please see Table I 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	\$ 474,135 (RMB 109,500)	\$ 259,081 (RMB 59,834)	\$ -	3.5%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$4,371,766	\$4,371,766
1	Unique Grand Limited	Sunshine (China) Inc.	Other receivable - related parties	Yes	\$ 676,436 (RMB 156,221)	\$ 676,436 (RMB 156,221)	\$ 676,436 (RMB 156,221)	3.5%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$794,312	\$794,312
2	Sunshine (China) Inc.	Xiang Sheng Investment Co., Ltd.	Other receivable - related parties	Yes	\$ 618,414 (RMB 142,821)	\$ 618,414 (RMB 142,821)	\$ 618,414 (RMB 142,821)	3.5%~ 4.75%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$824,299	\$824,299

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, 2023.

Table B : Providing endorsements or guarantees for others

Unit : thousands of NTD(USD/RMB/VND)

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)	\$ 10,929,414 (Note 3)	\$ 53,797 (USD810 and 28,910)	\$ 24,887 (USD 810)	\$ -	\$ -	0.49%	\$21,858,828 (Note 3)	Y		
0	"	RSEA Engineering Corporation (privatized 2009)	Note 2 (2)	10,929,414 (Note 3)	1,863,000 (Note 4)	1,863,000 (Note 4)	1,464,588	-	17.04%	21,858,828 (Note 3)	Y		
1	L&K Engineering (Suzhou) Co., Ltd.	Suzhou Xiang Sheng Trade Company Ltd.	Note 2 (2)	6,386,155 (Note 8)	168,870 (RMB39,000)	168,870 (RMB39,000)	-	-	2.64%	12,772,310 (Note 7&8)			Y
1	L&K Engineering (Suzhou) Co., Ltd.	L&K Engineering Company Limited	Note 2 (2)	6,386,155 (Note 8)	108,250 (RMB25,000)	108,250 (RMB25,000)	-	-	1.70%	12,772,310 (Note 7&8)			

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:

- (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, 2023, 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, 2023.

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	\$ 239,314	-	\$ 239,314	
"	"	Hua Nan Financial Holdings Co., Ltd.	"	"	320	7,153	-	7,153	
"	Unlisted stock	A2peak Power Co., Limited	"	"	2,000	-	5.44%	-	
						\$ 246,467			
"	Foreign bank debentures	Emirates NBD PJSC foreign bank debentures	None	Financial assets at fair value through profit or loss	-	\$ 4,620	-	\$ 4,620	
RSEA Construction Engineering (Chongqing) Co., Ltd.	Limited partnership	Xiamen United Phase III Integrated Circuit Industry Equity Investment Fund Partnership	"	"		93,326	3.96%	93,326	
						\$ 97,946			
L&K Engineering Co., Ltd.	Unlisted stock	Bestample Investments Limited	None	Financial assets at fair value through other comprehensive income	-	\$ 143,377	15.00%	\$ 143,377	
"	"	United BioPharma Inc.	"	"	806	-	0.42%	-	
"	"	ProMOS TECHNOLOGIES Inc.	"	"	507	4,748	1.13%	4,748	
"	Listed stock	Cica-Huntek Chemical Technology Taiwan Co., Ltd.	"	"	2,500	278,824	7.58%	278,824	
"	"	PharmaEssentia Corporation	"	"	581	171,209	0.17%	171,209	
						\$ 598,158			

Table D: Individual securities acquired or disposed of with accumulated amount exceeding NT\$100 million or 20 percent of the capital stock

Unit: thousands of NTD

Company	Securities Category	Financial Statement Account	Counterparty	Relationship	As January 1, 2023		Purchase		Sell				As December 31, 2023	
					Shares (In thousand)	Amount	Shares (In thousand)	Amount	Shares (In thousand)	Price	Book cost	Gain / Loss	Shares (In thousand)	Amount
L & K Engineering Co., Ltd.	RSEA Engineering Corporation (privatized 2009)	Investments accounted for using the equity method	(Note1)	Subsidiary	270,047	\$2,525,589	46,093	\$ 483,978	-	-	-	-	316,140	\$3,009,567

Note 1: The Company subscribed for the cash capital increase of RSEA Engineering Corporation (privatized 2009) .

Table E: 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	\$(1,599,673)	(5.50%)	30 days	\$ -	-	\$ 224,604	4.01%

Table F: 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 31,2023		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.	RSEA Engineering Corporation (privatized 2009)	Subsidiary	Accounts receivables	\$ 224,604	-	\$ -	-	\$ -	\$ -
Unique Grand Limited	Sunshine (China) Inc.	Subsidiary	Other receivables	676,436 (RMB156,221)	-	-	-	-	-
Sunshine (China) Inc.	Sunshine Investment Co., Ltd.	Subsidiary	Other receivables	618,414 (RMB142,821)	-	-	-	-	-

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, 2023			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Foreign Currencies in Thousands) (Note 1)
				December 31, 2023 (Foreign Currencies in Thousands) (Note 1)	December 31, 2022 (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	\$ 3,009,567	\$ 2,525,589	316,140	84.79%	\$ 3,548,993	\$ 72,987	\$ 61,052
"	L&K Engineering Co., Ltd. (BVI)	Tortola, British Virgin Islands.	Investment Company	1,615	1,615	-	100.00%	670,422	18,700 (USD 609)	18,700 (USD 609)
"	Unique Grand Limited	Wanchai, HK	Holding Company	1,821,916	1,821,916	-	51.71%	1,026,847	(75,844) (USD (2,469))	(39,219) (USD (1,276))
"	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)	61,044 (RMB 13,839)	-	100.00%	304,891 (RMB 70,414)	35,520 (RMB 8,127)	35,520 (RMB 8,127)
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)	78,336 (USD 2,550)	-	51.00%	104,853 (USD 3,413)	57,367 (USD 1,867)	29,257 (USD 952)

Note 1 : The above amounts were translated into New Taiwan dollars at the exchange rate of December 31, 2023.

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 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, 2023 (USD in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (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, 2023 (Foreign currencies in Thousands)	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
L&K Engineering (Suzhou) Co., Ltd.	Note 5	\$ 923,849 (RMB213,360)	(a)	\$ 479,894 (USD15,619)	\$ -	\$ -	\$ 479,894 (USD15,619)	\$ 1,415,223	53.99%	\$ 764,124 (RMB174,837) (b)	\$ 3,450,134 (RMB796,326)	\$ 958,203
Suzhou Xiang Sheng Trade Company Ltd.	Note 6	86,600 (RMB20,000)	(c)	Note 11	-	-	Note 11	(1,940)	53.99%	(1,047) (RMB(240)) (b)	83,711 (RMB19,333)	-
Suzhou Xiangxin Fire-Fighting Engineering Co., Ltd.	Note 7	86,600 (RMB20,000)	(c)	Note 11	-	-	Note 11	376	53.99%	203 (RMB46) (b)	17,026 (RMB3,932)	-
RSEA Construction Engineering (Chongqing) Co., Ltd.	Note 8	567,737 (USD18,478)	(c)	190,894 (USD6,213)	-	-	190,894 (USD6,213)	(34,806)	53.99% Note 15	(18,792) (RMB(4,300)) (b)	282,590 (RMB65,263)	-
Sunshine (China) Inc.	Note 9	3,066,355 (USD99,800)	(b)	1,606,918 (USD52,300)	-	-	1,606,918 (USD52,300)	(60,579)	51.71% Note 12	(31,326) (USD(1,020)) (b)	852,490 (USD27,746)	-
Sunshine Investment Co., Ltd.	Note 10	2,286,240 (RMB528,000)	(c)	Note 13	-	-	Note 13	(39,965)	51.71%	(20,666) (RMB(4,729)) (b)	877,796 (RMB202,724)	-

Investor Company	Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
L & K Engineering Co., Ltd.	\$ 2,420,976 (USD78,795) (Note 1&14&15)	\$ 2,394,952 (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, 2023.

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 \$155,499 thousand (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, 2023 includes investment \$143,271 thousand (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, 2023, The Company has collected part of the proceeds and obtained the approval letter from the Investment Commission, MOEA..

Table I : 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.