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擎邦國際科技工程股份有限公司
KING POLYTECHNIC ENGINEERING CO., LTD.

2022 Annual Report

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Website of the Company's annual report
<http://www.kpec.com.tw/> Investor section

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One. Letter to Shareholders

Dear Shareholders,

First of all, I would like to thank all shareholders for your unwavering support, and the dedication and efforts from all directors, supervisors, and employees of the Company. I would also like to thank all of you for taking time out of your busy schedules to attend the AGM.

Although the world is still faced with the interruption of the COVID-19 pandemic in 2022, as the vaccination coverage continues to increase, the pandemic as a result of the easing of lockdowns and restrictions in various countries, social activities will gradually return to normal, which will bring about a gradual recovery of the global economy, and the world economy will gradually return to the normal operation track of before the pandemic. In Taiwan, due to the well-controlled epidemic, Taiwanese businessmen returned to set up factories in Taiwan, and the escalation of the US-China trade war, well-known enterprises from all over the world have begun to increase the scale of investment in the high-tech industry here because Taiwan has a complete industrial chain and sufficient experience in the market. In addition, in order to promote economic development, the government continues to expand investment in public constructions and accelerate the implementation of budgets, resulting in a significant increase in the number of construction procurement bidding. For the year 2022, the value of new construction projects has surpassed the NT\$5.5 billion mark and the cumulative construction in progress for the year has also reached NT\$11.4 billion, both setting new record highs.

Domestically, in the area of petrochemical/chemical engineering turnkey projects and public works, we have already undertaken the following construction projects which are entering the peak construction period: CPC Talin Tank Farm Area I - 12 Oil Tanks, Facility Pipelines Turnkey Project; Kaohsiung Pier 13 Storage and Transport Fire Prevention EPC Engineering; Shuinan International Conference and Exhibition Center Phase I - Electrical and Mechanical Engineering for the Construction Bureau of Taichung City Government; and, Taichung City Shuinan International Conference and Exhibition Center Phase II. The newly acquired environmental protection and high-tech industry related major projects are already underway, such as, resource recycling furnace plant project from Chi Mei Corporation; Nanya Technology Taishan DRAM Plant Phase9-3 nitrogen plant turnkey engineering; and, MEP 12-inch wafer fab II of Formosa Sumco Technology, the fire protection turnkey projects. In addition, the Merck KGaA, a world-renowned semi-conductor material supplier, has built the Merck Kaohsiung Semiconductor Technology Park at the Southern Taiwan Science Park-Kaohsiung Science Park to introduce multiple product lines in the technical fields of thin film, patterning, and special gases for the advanced semi-conductor production process. The Company has also obtained relevant design and planning cases, which will be of great help to the Company's layout in the semi-conductor industry and specialty chemicals industry in the future.

In addition, in the field of intelligence, the Company has already acquired the electrical and water supply and drainage engineering project for the new construction of the Tucheng AI Park by BES Engineering Inc.. We will utilize our professional techniques in mechatronic systems integration engineering in combination with the self-developed energy management system by LNT Technology Co., Ltd. invested by the Group, and integrate related light-current and information communication system manufacturers to provide customers with comprehensive intelligent services in order to accelerate business development through EPC + intelligent value-added integrated services.

The 2022 business results and 2023 business plan are hereby reported as follows:

I. Business Report of 2022:

(I) Implementation results of the 2022 business plan:

The Company's operating revenue in 2022 was NT\$2,458,496 thousand, an increase of NT\$662,503 thousand compared to 2021, the net profit after tax was NT\$129,011 thousand, compared with the net profit after tax in 2021 of NT\$55,739 thousand, it is an increase of earnings by NT\$73,272 thousand, with an increase of 131.46%, resulting in a EPS of NT\$1.79.

(II) Comparison of 2022 and 2021:

Unit: In Thousand of New Taiwan Dollars

Items	2022 Actual Numbers	2021 Actual Numbers	Increase/decrease rate (%)
Operating revenue	2,458,496	1,795,993	36.89%
Gross profit	219,793	130,557	68.35%
Operating expenses	84,507	68,037	24.21%
Operating profit (loss)	135,286	62,520	116.39%
Non-operating income and expense	23,607	2,332	912.31%
Net profit (loss) before tax	158,893	64,852	145.01%
Income tax expenses	29,882	9,113	227.91%
Net profit (or loss) for the period.	129,011	55,739	131.46%

Note: Figures in this table are based on the 2022 consolidated financial statements audited and verified by CPAs.

(III) Analysis of revenues, expenses and profitability for 2022 and 2021:

Unit: In Thousand of New Taiwan Dollars

Analysis items		2022	2021	
Revenues and expenses	Operating revenue	2,458,496	1,795,993	
	Gross profit	219,793	130,557	
	Net profit (or loss) for the period.	129,011	55,739	
Profitability	Return on assets (%)	4.28	2.51	
	Return on shareholders' equity (%)	10.57	4.82	
	As a percentage of paid-in capital (%)	Operating profit	18.74	8.83
		Net profit before tax	22.01	9.16
	Net profit margin (%)	5.25	3.10	
	Earnings per share (NT\$) (Note)	1.79	0.79	

Note: Figures in this table are based on the 2022 consolidated financial statements audited and verified by CPAs.

II. The business plan for 2023:

The Company is one of the few contractors in Taiwan that can undertake EPC turnkey projects for medium-to-large-scale industrial process plants and public works. Its industries cover petrochemical/chemical, high-tech, public works, energy and environmental protection, and biotech and pharmaceutical fields, with professional background spanning over production process, civil engineering, construction, machinery, chemical engineering, instrument control, water, electricity, fire protection, air conditioning, clean rooms, and light-current. We have accumulated years of practical experience in project management in the professional technology of system integration from planning and design, procurement services, construction supervision, system integration, commissioning to operation and maintenance.

Although the global economy has deteriorated drastically since the second half of 2022 and has cast a shadow over the outlook for 2023, in response to the global trend towards net zero carbon reduction, petrochemical operators have step-by-step been making the transition to high value and specialty chemical products, energy storage battery material, and increasing investments in other clean energy, such as wind power and solar energy. The global semiconductor industry grows slowly due to destocking and overcapacity of memory. However, the continuous innovation of the information and communication industry is driving the global development of IoT, artificial intelligence, electric automotive, robotics, cloud-based data center, smart manufacturing, smart city, and smart healthcare related industries which still present robust business opportunities in the long run. Therefore, the Company will continue to strengthen the aforementioned core competencies and combine corporate social responsibility and sustainable thinking with

business development strategies to enhance value-added innovative business and the expansion of environment/energy, sustainable development, circular economy and other related fields.

(I) Core business areas

(1) Petrochemical/chemical industry

In response to the global trend of net-zero carbon reduction and the pressure to achieve the carbon neutrality goal by 2050, petrochemical/chemical industries have started to transition towards high-value products materials (such as, specialty chemicals, electronic grade chemicals, battery energy storage materials) development. Demands for electronic grade solvents for specialty chemicals, polishing fluids and photoresists developed in semi-conductor production processes, equipment and materials for product delivery/recycling, and gas supply products are still strong. The Company continues its work with the current Formosa Plastic Group and CPC Corporation, Taiwan related petrochemical/chemical projects, and will increase expansion on specialty chemicals product business through the following projects which we have already acquired: Shiny Chemical Industrial Co.,Ltd., Kaohsiung Pier 13 Storage and Transport Fire Prevention EPC Engineering; Nanya Technology Taishan DRAM Plant Phase9-3 nitrogen plant turnkey engineering; and semiconductor materials company Merck KGaA Merck Kaohsiung Plant OSIII and TMA design plan. We will also focus on process optimization, smart product line, smart whole plant factory equipment and smart green building planning following the investment footsteps of customers. Furthermore, we will introduce application of Computational Fluid Dynamics (CFD) in simulation planning, Aveva E3D Design (formerly AVEVA PDMS), Building Information Modeling and so on 3D software building modeling as a reference basis for construction and maintenance. This can provide the business owners enhanced efficiency and lowered factory construction costs. It will also comply with the current international environmental protection regulations and carbon neutrality goals.

(2) High-tech industries

In recent years, with continuous innovation and rolling out new information and communication technology and consumer electronics products, it has driven the semi-conductor technology manufacturers and related supply chains to continue to expand investment. According to an analysis by Market Intelligence & Consulting Institute (MIC), even though the 2023 inventory level from terminal to system factories to related semiconductor chip supply chain suppliers is all too high, it is estimated that the production value in 2023 will grow slightly by 1.7%. In addition, the foundries will revise downward its capital expenditures, the DRAM supply and demand will continue to expand with the price collapsing at a rapid rate. The problem of chip shortage has been greatly eased, but the supply chains of various application fields are still faced with the long term and short term problems of material. For example, the production capacity gap of automotive semi-conductor remains. With the USA and China trade war escalating, well-known corporations from various countries are increasing investment scale in the Taiwan market. Hence, the high-tech industries will continue to innovate and grow. The Company will continue to accumulate industry achievements and upgrade related expertise by virtue of the newly-built MEP 12-inch wafer fab II of Formosa Sumco Technology, the fire protection turnkey projects, and semi-conductor specialty chemicals related projects. We want to cultivate deeply in the related industries of semiconductor and high technologies. The BIM technologies have also been introduced throughout the entire construction process in enhancing the technology capability for spatial review in order to reduce any troubles from pipeline collision during construction. This can improve accuracy of construction in achieving the benefits of improved project quality and shorter construction period.

(3) Public works

Despite the lack of work and materials in the construction industry due to the pandemic and the Ukraine-Russian war in 2022, the government continues to increase investment in public construction in order to revitalize the economy. Various construction plans focused on the development of the six major cities and the scale of these projects are increasing day by day. These projects are valued up to billions of dollars, such as, projects for MRT system, ultra-high vacuum (UHV) underground cable tunnel projects, public buildings and social housing, school buildings, and dormitories. Procurement tenders have been initiated for many large projects subsequently. Thus, there are ample opportunities. The Company has received acclamation from satisfied clients for the following projects: Shuinan International Conference and Exhibition Center Phase I - Electrical and Mechanical Engineering for the Construction Bureau of Taichung City Government; Taichung City Shuinan International Conference and Exhibition Center Phase II; Taipei MRT Wanda-Zhonghe-Shulin Line Phase I Section Contract CQ870 Construction - CQ814 hydropower environmental control engineering; and, Refurbishment Turnkey Engineering Project Electrical and Air Conditioning Engineering for 1st Fruits and Vegetables and Wanda Fish Wholesale Market of Taipei City Government. The Company has been awarded with Gold Safety Award for outstanding engineering in 2022 by the Construction Bureau of Taichung City Government for the Shuinan International Conference and Exhibition Center Phase I Project. We will continue to devote fully to selecting and seizing suitable tender projects based on our existing advantageous conditions.

(4) Clean energy and environmental protection related industries

In response to the global trend of net zero carbon emission, circular economy and sustainable business operation, the clean energy and environmental protection related industries will continue to be active in the future. Taiwan relies mostly on imported energy. Under the current circumstance of absence of an effective alternate plan, the government has established related renewable energy laws and policies, and created engineering projects opportunities in the clean energy and environmental protection related industries. Foreign companies are also attracted to come to Taiwan and they have established themselves in the Taiwan market in the renewable energy and environmental protection industries such as hydrogen energy, geothermal energy, and offshore wind power. In addition, as the government's energy policy specifies that natural gas power plants will be used in replacement of coal-fired power plants, a new wave of government and private sector investment in natural gas power plants are introduced. This has led to the development in LNG related pier storage and transport facilities engineering. The Company took the opportunity to enhance its professionalism in environmental protection related industries through the acquired new resource recycling furnace plant project from Chi Mei Corporation. We also make use of the system integration capability of our own EPC turnkey project to actively acquire projects relating to waste incineration plant, natural gas receiving stations related facilities, off-shore wind power related facilities and environmental sustainability and renewable energy.

(5) Biotechnology, medical and pharmaceutical industries

The aging population worldwide has increased the demand for medical care in developed and emerging markets. In recent years, the advancement and application of science and technology have led to breakthroughs in biotechnology. Under the strong guidance of the government, it has led to the booming development of the pharmaceutical industry, medical material industry, and applied biotechnology industry. The integration of Taiwan's biotechnology and pharmaceutical industries with international standards, PIC/S GMP compliance, has secured overseas market opportunities. Hence, there are many investment plans, such as, Nangang Biotech Cluster, The Hsinchu Biomedical Science Park, The Central and Southern Taiwan Science Park, Pingtung Agricultural Biotechnology Park, and the Yilan Science Park all continued to expand. In addition, the government has set the goal to develop Taiwan into the Asia-Pacific biotech R&D industrial center in the future. The Company shall actively strive for the related plant construction business based on its accumulated past and present experiences, such as the recently completed Nanya Forest Blood Bag Factory Project. we will continue to enhance our specialization in the biotechnology, medical, and pharmaceutical industries.

(II) Innovative business areas

The accelerated innovation in the information and communication industries has resulted in the rapid development of smart factories, smart buildings, and smart medical care industries. These industries will ultimately gather and develop toward smart cities. Only smart cities can achieve net zero carbon emissions and sustainable development goals. The Company has invested in LNT Technology Co., Ltd. and developed our own energy management system that helps customers collect energy data and integrate information which are visualized. It can help to discover abnormality and loss in equipment operations and errors in usage by personnel and support the formulation of energy saving policies to enhance energy efficiency. In the future, we will continue to deepen the monitoring of water, steam, electricity and other energy sources and raw material transportation in each production process to optimize monitoring and adjustment within the controllable range of production to achieve the goal of reducing energy usage moving towards smart factories and smart buildings.

With the acquisition of the new construction of the Tucheng AI Park by BES Engineering Inc., the Company will utilize our professional technology of mechanical and electrical system integration to further integrate 5G+AIoT related information and communication system manufacturers. It will be in line with the concept of integration of virtual reality, artificial intelligence and the Metaverse in the future utilizing BIM and Digital Twin to provide comprehensive intelligent service that realizes the value and innovation of the Company and accelerates the prospect of business opportunities through EPC + intelligent value-added integrated service.

(III) Sustainable corporate development and circular economy

In response to the mega trends of global climate change, net zero carbon emission target, circular economy and corporate sustainability, the Company has established the Corporate Sustainability Committee and has identified four major aspects to devote to in Sustainability Engineering, Environmental Protection, Social Co-prosperity, and Corporate Governance. We are dedicated to investing in green innovation, and the R&D of technologies for the circular economy. In addition to introducing the energy management system developed by the Company into various fields, we will also strengthen our professionalism and integration capabilities to explore collaborative efforts to provide customers with more services that are compliant with the concept of corporate sustainability and the circular economy, in order to help customers achieve their carbon neutrality goals, and strive for more business opportunities in ESG projects. Meanwhile, the Company also continues to implement safety and health management, and has introduced the ISO-14001 environmental management system and combined with the ISO-45001 Occupational Safety and Health Management System to ensure that all employees, collaborators and other work partners can work in a safe and friendly working environment, make smooth completion of the construction and go home safely.

The Company has built factories, factory offices and buildings with achievements in various industries. In addition to the mechanical and electrical system integration, which the Company is good at, it also includes professional technical services such as energy management, equipment networking, smart factories, and smart buildings. We have successfully linked circular economy with social responsibility and environmental protection. In the future, we will also include ESG issues as an integral part of our turnkey projects for petrochemical/chemical engineering and industrial plant construction, high-tech plant construction, and mechanical and electrical system integration for public works to contribute to the Company's environmental and social responsibilities.

III. Influence of External Competition, Legal and Regulatory Environment, and Macroeconomic Situation

(I) External competition

There is increasing competition in the construction market and the cost of materials and wages continues to soar. The Company has been constantly strengthening the integration of the supply chain, optimize our own team of partner companies, and enhance project management efficiency to effectively lower the costs. At the same time, by providing customers process optimization and smart manufacturing production line planning, we help customers to achieve the goal of net zero carbon emission and a circular economy. Thereby reducing customers' operational risks and costs which enhances the Company's innovative value, differentiate ourselves from competitors, increase chances of winning bids, and increase the project profitability.

(II) Regulatory environment

In terms of the legal environment, the Company not only follows the laws and regulations of the government and the requirements of the competent authorities, but also devotes itself to the promotion of ESG (environmental, social and corporate governance principles) sustainable development to guide the Company to actively contribute to environmental protection and loving the earth.

(III) Macroeconomic Situation

In terms of the macroeconomic situation, although the global economy is recovering gradually due to the COVID-19 pandemic being brought under control and the lockdowns being lifted in various countries, the de-stocking issues of the global semi-conductor industry, the overcapacity memory issues, the Sino-US trade war have not ceased, and the global economy is still subject to high uncertainties given the impact of global inflation. Fortunately, the Company has been committed to business diversification, system integration technology improvement and innovation, and hard work in the core industries for many years to lay a solid foundation. The

value of construction in progress reached a new high and was sufficient to cope with the uncertainties of the global economy in the future.

IV. Conclusion

Affected by factors such as COVID-19, the Sino-US trade war, global inflation, the Ukraine-Russian war, and geopolitics, the global economy is showing instability. In addition, megatrends in global climate changes, net zero carbon targets, circular economy, and corporate sustainability operation, the operations of enterprises must be diversified in the future to prevent the downturn of some industries and markets from causing significant impact on the operation of the Company. We have been striving for long-term market layout and development direction adjustment with the economy to create diversification and cross-industry integration technology capability in order to build the adaptability and execution capability to cope with the drastic changes in technology development and economic situation in the future in ensuring that the company can perform well in risk management control and create higher values. Our team will continue to create good results as a reward for the support of all shareholders and the public.

Best of luck to you all

KING POLYTECHNIC ENGINEERING CO., LTD.

Chairman, Hong Chien-Fong

Manager, Chang Ming-Chan

Two. Company Profile

I. Date of establishment

(I) Date of establishment: August 3, 1982

(II) Addresses and telephone numbers of the head office, branch offices, and factories

1. Headquarters Address: 5F., No. 206, Ruiguang Rd., Neihu District, Taipei City, Taiwan (R.O.C.)
TEL: (02)8751-0858

2. Branches: None

3. Factory Address: No. 6, Alley 105, Lane 139, West Rende Road, Sansheng Village, Mailiao Township, Yunlin County
Tel: (05)681-2366

II. History of the Company

Year	Month	Important Memorandum
1982	8	KING POLYTECHNIC ENGINEERING CO., LTD. was founded with initial paid-in capital of NT\$6 million to engage in contracting, planning, design, construction and supervision of entire plant projects.
1989	3	Capital increase by NT\$4 million in cash; the paid-in capital came to a total of NT\$10 million.
1989	5	Capital increase by NT\$17.5 million in cash, and the paid-in capital came to a total of NT\$27.5 million.
1989	12	Capital increase by NT\$22.5 million in cash, and the paid-in capital came to a total of NT\$50 million.
1997	12	The Company's Mandarin Chinese name was changed to "擎邦國際科技工程股份有限公司" and the English name remained the same, "KING POLYTECHNIC ENGINEERING CO., LTD.."
1998	3	Capital increase by NT\$50 million in cash and issued at a premium of NT\$12.50. The paid-in capital came to a total of NT\$100 million.
1998	4	The Clean Room Division was established to engage in the contracting, planning, design, construction of air-conditioning sterile clean room system engineering, and the manufacturing of sterile clean rooms and ancillary equipment.
1998	8	Capital increase by NT\$99.9 million in cash and issued at a premium of NT\$12.50. The paid-in capital came to a total of NT\$199.9 million. Dr. Bang-Chung Lin was elected as the Chairman.
1999	4	The Internet Engineering Division was established to provide technical services such as B2B website management, supplier website alliance, e-store, auction, collaborative purchase, and online order trading platform, as well as website engineering.
1999	5	Passed ISO 9001 quality certification from the British Standards Institute.
1999	7	Capitalization of capital surplus for NT\$19,990,000, capitalization of retained earnings for NT\$16,991,500 and capitalization of employee bonus for NT\$1,582,490. The total paid-in capital increased to NT\$238,463,990, and retroactive handling of public issuance procedures.
2000	6	Capitalization of capital surplus for NT\$14,307,840, capitalization of retained earnings for NT\$21,461,760 and capitalization of employee bonus for NT\$2,027,370. Total paid-in capital increased to NT\$276,260,960.
2000	7	Received OTC trading of the Class II shares upon approval by the competent authority to be listed on GTSM on July 14.
2001	6	Mr. Jenn-Pan Hornq was elected as the Chairman and concurrently the President.
2001	7	Capitalization of capital reserves for NT\$3,315,130, capitalization of retained earnings for NT\$27,073,570, and capitalization of employee bonus for NT\$2,427,840. Total paid-in capital increased to NT\$309,077,500.
2001	8	Approved by the Securities and Futures Commission with Letter Ref. No. (90) Tai-Cai-Zheng-(1) 155612, the Company is trading over the counter with Class I shares.
2002	1	Class II shares were transferred to General Class shares for trading.
2002	9	Capitalization of retained earnings at NT\$27,198,820 and NT\$2,371,650 as employee bonus, the paid-in capital increased to NT\$338,647,970.
2004	12	Signed a contract with the Formosa Plastics Corporation for the construction of the fourth phase of the Jenwu caustic soda plant, and the construction of the light oil desulfurization unit and the LPG deodorization and fractionation unit with Formosa Petrochemical Corporation. The total contract value is about NT\$790 million. This order affirms the professionalism of the Company's team and contributes significantly to its revenue. It also brings business opportunities in related industries to the Company.
2005	6	Acquired CK370C standard hydropower and CK378C standard environmental control project for Taipei MRT-Xinzhuang Line from KAJIMA CORPORATION TAIWAN BRANCH (JAPAN) and Taipei City Government MRT Engineering Office, North District. Total project price including tax was NT\$481.95 million. This order was obtained to expand the Company's business scope into public works and to contribute to the Company's operating income and profit.
2006	4	Received contract for Formosa Plastics Corporation for the second phase of carbon fiber expansion project with a total contract amount of NT\$295,000,000. The above orders affirm the professionalism of the Company's team and contribute to the revenue and profit, and bring relative industry business opportunities to the Company.
2006	11	Acquired the 100,000-ton ABS construction project for the third phase expansion from Zhenjiang GPPC Chemical Co., Ltd. in China. The total contract amount was about NT\$396 million. This project enhanced the Company's reputation and position as the turnkey contractor in the petrochemical market in China, which is helpful in securing related businesses in the future.
2007	4	Issued the first domestic unsecured convertible bonds of NT\$100 million. The bonds were converted into common shares of 10,323,961 shares, and the paid-in capital was increased to NT\$462,808,310.
2007	5	Received the turnkey contract for the mechanical, electrical, I&C, and construction projects of the carbon fiber area of Mailiao Carbon Fiber Phase III, and the mechanical construction of the raw silk area of the Formosa Plastics in Jenwu. The total contract amount of the above contract was NT\$138 million. This order confirms the ability of the Company as the main contractor, and it brings greater business opportunities to the Company.
2007	6	The Company established the Solar Energy and Renewable Energy Division. Utilize the development and integration capabilities of our principal business, and then introduce advanced technologies in solar photovoltaic and renewable energy from Europe and the

Year	Month	Important Memorandum
		United States to jointly develop and win the domestic and overseas markets for solar photovoltaic system engineering.
2007	8	Taichung New City Center City Government Building New Construction Project - Water, Power, Fire Protection, Air Conditioning Equipment Projects. This project is a joint venture between the Company and BES Engineering Inc. and the total winning bid amount was NT\$941.75 million. The equipment air-conditioning engineering part contracted to the Company amounted to NT\$303.45 million. The acquisition of this order helps the Company to expand the business scope of public works and contributes to the Company's operating income and profits.
2007	10	Re-investment for the establishment of "Maine Technology Co., Ltd." to support the Company's transformation and accelerate deployment in the solar energy and renewable energy system assembly market.
2007	11	The Company also won the tender for the de-bottleneck civil construction works and mechanical construction works of the POM Plant of Formosa Plastics Corporation. The total contract amount was NT\$201 million. Received bid for MRT Section CG590B of Taipei MRT Songshan Line - Central Engineering Office of MRT Engineering Bureau, Taipei City Government - M&E bid for CG390B water, electricity, environmental control and IGYX02 joint piping mechanical and electrical engineering. The total of this project including taxes was NT\$622 million. This order is another affirmation of the owner on the professionalism of the Company's team.
2007	12	Won the bid for the turnkey project for debottlenecking the 3rd aromatics plant of CPC Taiwan. The total project amount was NT\$215,660,000. This project contributes to the Company's profit.
2007	12	Awarded with a total contract price of NT\$112.5 million for the cloud wall photovoltaic construction project from the National Taiwan Museum of History. The Company became one of the few engineering companies in Taiwan that possess the ability for large-scale solar power generation systems integration, which is helpful in securing businesses of large-scale solar power generation systems in the future.
2008	1	The Company obtained the mechanical and electrical system engineering for the new Yuanli plant of Everlight Group. The total project price was NT\$303 million which contributes to the constant climb of the Company's finance and sales.
2008	2	Awarded a total contract amount of NT\$259 million for phenol plant expansion project from Taiwan Prosperity Chemical Corporation. This order is expected to increase the operating revenue and profit of the Company.
2008	3	The Company was awarded the contract for the 20,000-ton liquid ammonia storage and transportation system turnkey project for the Taichung Plant in Taichung Harbor, a fertilizer area invested by Taiwan Fertilizer Co., Ltd.. This project is by joint technical cooperation with a refrigerated storage tank professional vendor in Japan, the Ishii Iron Works Co., Ltd.. The total project price was NT\$828.8 million. As a result of this project, the Company has become one of the few engineering companies in Taiwan that has the ability to undertake the turnkey engineering of large-scale refrigerated storage tank and operations system. It was also helpful to win related businesses in the future.
2008	5	Acquired the turnkey project for the design and construction of the nitric acid plant in Taichung Plant of Taiwan Fertilizer Corporation. The professional process technology is provided by the USA Weatherly Inc., a subsidiary of the Chematur Chemical Group in Sweden. Our Company is responsible for the detailed design, procurement, and construction of the turnkey project. The total project price was NT\$1,516,800,000. The acquisition of this project is very helpful for winning related business orders in the future.
2008	5	Received EPC construction project for 340,000-year capacity expansion project of phenol and acetone plant of Taiwan Prosperity Chemical Corporation. The total project price was NT\$186 million. This order helps the Company to increase operating revenue and profits.
2008	7	The Company obtained the EPC turnkey project for the ASU gas plant from a China Man-Made Fiber Corporation. The total project price was NT\$249 million, which was helpful to the Company's sales performance.
2009	2	The Company won the bid of NT\$176 million for the project of digital image remote monitoring system from Taipei County Government Police Station, which is helpful for the Company to win related business orders in the future.
2009	3	The Company won the bidding for the plant drainage, dredging and miscellaneous works for the Chingshan Branch of the Dajiaxi Power Plant of Taipower. The total contract price was NT\$95.88 million. This is helpful to the Company in securing future public works engineering sales order.
2009	5	The Company won the bid for the new air-conditioning project of the Learning Resource Center at the National Tsing Hua University, with a total project price of NT\$107.66 million, which is of great help to the Company's business acquisitions for academic units and research institutions in the future.
2009	7	The Company obtained the MAN, OSBL, BDO, and H2 steel structure relocation and reconstruction projects from TCC Chemical Corporation. The total project price was NT\$97.86 million, which contributed to the Company's profit and revenue.
2009	8	The Company received the contract award for the Taipei County Government Police Department's "Digital remote recording system project commissioned by Tucheng City, Yonghe City, and Nanxing Village of Banqiao City," "Xinzhuang City remote monitoring and recording system project in 2009," "Promote community safety e-defense mechanism video surveillance system project in 2009," and "Digital remote recording system project in 2009," with a total price of \$195.67 million. This will be very helpful for the Company to win related business orders in the future.
2009	9	The Company was awarded the tender by the Taipei County Police Department for the "The construction of the digital remote recording system" commissioned by Sanchong City Office, Banqiao City, Dansui Township Office, Yingge Township Office, Pinglin Township Office, Sanzhi Township Office. The total construction price was NT\$173.591 million. This is helpful to the Company in securing future related sales orders.
2009	10	The Company was awarded the 2009 Public Works Excellence Award by the Ministry of Economic Affairs.
2009	11	The Company was awarded the tender by the Taipei County Police Department for the "2009 digital remote monitoring and recording system project" commissioned by Xinzhuang City Office, Banqiao City Office, Tucheng City Office, and Luzhou City Office. The total project price was NT\$191.44 million, which is very helpful for the Company to win related business orders in the future.
2009	12	The 22nd meeting of the 10th board of directors passed the decision to reinvest in the Grade-A contractor Hong Siang Construction Co., Ltd. to expand business into green buildings, commercial buildings, and public works related to construction.
2010	4	The Company obtained the design and construction project of dehumidification and air-conditioning for the warehouse of Taichung Plant from Taiwan Fertilizer Corporation. The total contract price was NT\$106.8 million which contributes to the Company's profit and income.
2010	10	The Company was awarded the turnkey project for the construction of FST Column C of Formosa Plastics and the grain recycling

Year	Month	Important Memorandum
		case. The total contract amount was NT\$458.88 million (before tax). The order affirms the professionalism of the Company's team and contributes significantly to the revenue and brings business opportunities to the Company in related industries.
2010	10	The Company won the mechanical construction project for Formosa Plastics' Mailiao SAP Plant. The total contract amount of this case was NT\$362.28 million (before tax), which is an affirmation and recognition of the professional engineering ability of the Company. This contributes to the securing of future construction projects in the petrochemical industry.
2011	1	This time, the Company has won the EPC contract for the rubber expansion project with an annual output of 20,000 tons (CLR3-3) from NANTEX INDUSTRY CO.,LTD. of Zhejiang, China. The total contract amount was about NT\$287,102,800. This case has further enhanced the Company's reputation and turn-key supplier position in the Chinese petrochemical engineering market.
2011	2	The Company received the investment from the Taiwan Fertilizer Company in Taichung Harbor to construct the 20,000-ton liquid ammonia storage and transportation project for Taichung Plant. This project is by joint technical cooperation with a refrigerated storage tank professional vendor in Japan, the Ishii Iron Works Co., Ltd.. The bid for this project has made the Company one of the few engineering companies in Taiwan that has the ability to undertake the turnkey engineering of large-scale freezer storage systems. In addition to injecting considerable revenue, this case will also be critical for the Company's future related businesses. The total price of the project was NT\$669.5 million (before tax).
2011	8	The Company was awarded the system transformation project of phenol and acetone production line (including isopropylbenzene production) by Taiwan Prosperity Chemical Corporation. The total contract amount was about NT\$115 million (before tax). This case further enhances the Company's reputation in the petrochemical engineering market and affirmation of the team's engineering work.
2012	1	The Company was awarded the turnkey contract for the pipeline maintenance project (E11-26) of the Formosa Petrochemical Corporation Utility Plant, the water, electricity, and environmental control project bid for the CG294B section of the MRT Songshan Line, and the export cable tunneling project of the Extra-High Voltage Substation for Taipower Zhuwei. The total contract amount of the turnkey project was NT\$1,081,334,733. The aforementioned turnkey project is a recognition by the owner towards the Company's reputation in the petrochemical and mechanical and electrical engineering markets and the team's engineering skills.
2012	5	The Company was awarded the professional engineering works for the Formosa Petrochemical Mailiao Olefins Plant and the tank construction, as well as the replacement of the T880 Blow-down pipeline at East Wharf, the addition of fire protection piping works for OL-4T-8041805B, and the repair of the surrounding wall of the storage tank in the North Yard area (E11-27). Total contracting price of about NT\$532 million. This is the recognition from the client on the Company's engineering professionalism and it will help in the winning of the construction engineering business of the petrochemical industry in the future.
2013	4	The Company won the bid for the improvement works of No. 6 and 8 boiler/denitrification plant of CPC Kaohsiung Plant with a total price of NT\$41,700,750, which contributed to the Company's profit and revenue.
2013	5	The Company undertook the buried shield tunneling project of the Songhu-Daan, Shenmei-Daan 345KV cable route and the auxiliary mechanical and electrical turnkey projects from the KAJIMA CORPORATION TAIWAN BRANCH (JAPAN). The total contract price of this case was NT\$574 million. The orders are helpful to the Company in expanding the business of winning bids for public works.
2013	5	Acquired high-temperature oxidation furnace and compressor piping, dynamoelectric, and construction projects (E13-03) from Formosa Petrochemical Corporation in Xingang. The total contract value was NT\$134,977,523, which was beneficial to the Company's finance and business and continued to grow.
2013	8	Acquired the "New Yang-Ming University Postgraduate and International Student Dormitory Project" and the "Swimming Pool Reconstruction Project" from ASIA WORLD ENGINEERING & CONSTRUCTION CO.. The total price was NT\$120 million.
2013	9	Acquired the civil engineering of Taoyuan OSBL from Oriental Petrochemical (Taiwan) Co., Ltd. and the construction of the whole plant at a total price of NT\$387 million.
2013	10	Acquired the turnkey project for the buried tunnel and the cooling machine room in Gaogang for the 2nd construction area of 345kV Dalin-Gaogang cable from KAJIMA CORPORATION TAIWAN BRANCH (JAPAN). The total price was NT\$637 million.
2014	5	Acquired the new construction (electrical and mechanical engineering) of 29/27 storey double-storey apartment complexes in Linkou District from Wong Chio Construction Co., Ltd. at a total price of NT\$200 million. This case once again enhanced the owners' recognition of the Company's expansion into high-rise buildings and residential buildings.
2014	5	It was approved at the 7th meeting of the 12th term Board of Directors to reinvest the capital of NT\$30 million in RELIANT REAL ESTATE DEVELOPMENT CO., LTD.. The Company contributed NT\$20 million for the land development and construction business development.
2015	6	Acquired the water, electricity, fire protection and weak current works of Huiguo Building of Continental Engineering Corporation (CEC) with a total price of NT\$288.8 million.
2015	8	Acquired the new construction of the Fu Ho D/S and Multi-purpose Complex for the Transmission and Transformation Engineering Office of Taiwan Power Company at a total price of NT\$378 million.
2015	12	Acquired the construction of the Grand Cosmos Resort Ruisui Hualien at a total price of about NT\$295 million.
2016	3	Acquired large-scale engineering contracts for wastewater piping and equipment installation at Mailao for Formosa Petrochemical at a total price of about NT\$120 million.
2016	4	Acquired the new construction (electrical and mechanical engineering) of Environmental Change Research Building of Academia Sinica at a total contract price of NT\$352 million.
2016	5	Won the new construction and mechanical and electrical engineering of the tower and overall park for Taoyuan International Airport in Taiwan from the Civil Aviation Administration of the Ministry of Transportation and Communications. The contract price was NT\$271,690,000.
2016	6	The Company reinvested in RELIANT REAL ESTATE DEVELOPMENT CO., LTD. and increased capital by NT\$15 million. The Company invested a total of NT\$35 million.
2016	9	Acquired Formosa Plastics for the renovation of Mailiao OL-3 atmospheric tank and the rust removal of public pipe frame R6, with a total price of NT\$290 million.
2016	11	The Company was awarded the order for the steel structure manufacturing and equipment installation works of the Formosa Plastics US Plant. The total contract amount was about NT\$1.5 billion. This project is a recognition of the Company team's technologies and it injects large amount of revenue and gross profit, and bring about opportunities for related projects of the Formosa Plastics plant in the U.S.A..
2016	11	The Company was awarded the turnkey project order for the construction of the 2nd MTBE#2 unit of Formosa Plastics Refinery. The

Year	Month	Important Memorandum
		total contract amount was about NT\$480 million. It is a recognition of the Company team's technologies, and the revenue and gross profit will be greatly injected.
2017	1	Total contract price of NT\$269.66 million for the R3 pipe frame derusting and paint project from Formosa Plastics Corp.
2017	1	Awarded for the construction of the Giant Manufacturing Co. Ltd. Headquarters with a total contract price of NT\$180.95.
2018	5	The Company was awarded the contract by DA-CIN CONSTRUCTION CO.,LTD. for the bidding project for Section CQ870 of the Wanda-Zhonghe-Shulin Line (Phase 1), Eastern Engineering Office, Taipei City Government MRT Bureau. The total contract amount was NT\$1.297 billion. This order is a recognition of the skill of the Company's team and contributes significantly to the revenue and gross profit.
2018	5	KPEC INTERNATIONAL INVESTMENT & DEVELOPMENT CORP.(BVI) sold the equity of its mainland subsidiary Suzhou King Polytechnic Engineering Co., Ltd. to Shenzhen Weiguang Film Co., Ltd. for disposal gain: RMB 34,003,647.41 (excluding transaction cost and tax).
2018	8	The Company was awarded an order from Formosa Petrochemical Corporation for the rust removal and paint project for the refinery common pipe frame. The total contract amount was about NT\$700 million. This order affirms the Company's technical team and has a great impact on revenue and gross profit.
2018	12	This project bid for the new construction of the Shuinan International Convention and Exhibition Center under the Construction Bureau of Taichung City Government is a joint venture between the Company and DA-CIN CONSTRUCTION CO.,LTD.. The total contract order amount was NT\$5.18074 billion. The Company was responsible for the water, electricity, fire protection, and air-conditioning engineering project of the contract, accounting for 25.51% of the total contract value, totaling NT\$1,321,539,388. This order affirms the Company's technical team and leads to very high revenue and gross profit.
2019	3	In order to improve the efficiency of the Group's use of funds, the re-invested subsidiary KPEC International Investment & Development Corp. of the Company processed the capital reduction in cash and returned the proceeds to the parent company, King Polytechnic Engineering Co., Ltd., which it holds 100% of shares.
2019	3	The Company's reinvested subsidiary, KPEC INTERNATIONAL INVESTMENT & DEVELOPMENT CORP., the disposal of subsidiary, Suzhou King Polytechnic Engineering Co., Ltd. gained NT\$142,498,505.
2019	5	The Company and its subsidiary, HONG SIANG CONSTRUCTION CO., LTD. (a Grade-A contractor), were awarded the contract for the construction of the Science and Technology Laboratory Building of Fu Jen Catholic University. The total contract amount was NT\$412,888,000. This is a recognition of the team's skills, and the contribution to revenue and gross profit are very large.
2019	12	The Company was awarded the Excellence Award in the Major Projects Category of the 2019 Golden Project Plan by the Taichung City Government.
2020	2	The Company was awarded the contract for the turnkey project of the auxiliary equipment and pipeline engineering of Dalin Petrochemical Oil Storage and Transportation Center Area 1, except for the 12 oil tanks, from CPC Taiwan. The total contract amount was NT\$3,339,880,000. The orders have contributed significantly to the Company's revenue and gross profit, and also proved the competitiveness and advantages of the Company in the related engineering fields.
2020	2	The Company was awarded the contract for the electrical and air-conditioning works of the first fruit and vegetable (including the relay within the embankment) from the BES Engineering Inc. and the renovation project of the Wanda Fish Wholesale Market. The total amount of the project was NT\$1.1625 billion. This order has a great impact on the revenue and gross profit of the Company, and serves as a solid proof of the Company's technology and competitive advantage in the public works field.
2020	8	The order is for the derusting and paint packaging works of the Formosa Plastics Chemical Corporation's Mailiao Utility Plant and the derusting and paint work for the combustion area. The total project amount was NT\$457.78 million. It is a significant proof of the Company's technology and competitive advantage in the field of rust removal and paint engineering for petrochemical plants.
2020	10	Capitalization of retained earnings for NT\$20,618,720, and the paid-in capital was increased to NT\$707,909,610.
2021	10	In order to expand the intelligent engineering business, the Company reinvested in LNT TECHNOLOGY CO., LTD.. The investment amount was NT\$6 million and 400,000 shares were acquired, with the shareholding ratio of 40%.
2021	11	The project from the Bureau of Construction, Taichung City is a joint venture between the Company and the 100% reinvested subsidiary, Hong Siang Construction Co., Ltd. (a Grade-A contractor). The name of the project is Taichung International Convention and Exhibition Center Phase II. The total contract value was NT\$1,495,700,00. This order affirmed the skill of the Company's team and greatly contributed to the revenue and gross profit.
2021	12	The Company has passed the British Standards Institute (BSI) verification and obtained the ISO14001 (environment) and ISO45001 (occupational safety) certificates. These certificates recognize the Company's commitment to environmental safety management and occupational hazard safety systems.
2022	3	The Company was awarded the EPC contract for air separation equipment design, equipment supply (including ancillary equipment) commissioning and other EPC projects from Nanya Technology Corporation. The total contract amount was NT\$968 million (before tax). This order affirms the Company's team skills and has a great impact on revenue and gross profit.
2022	6	The Company has been awarded a turnkey contract for the expansion of the MEP system (including electromechanical and fire protection) for the 2nd 300mm silicon wafer material production plant by Formosa Sumco Technology Corporation. The total contract amount was NT\$3.213 billion (before tax). This order affirms the skill of the Company's team and contributes significantly to the revenue and gross profit.
2022	8	The Company was awarded the contract for the construction of a new resource recycling furnace by CHIMEI Corporation. The total contract amount was NT\$1.065 billion (before tax). This Company becomes one of the few engineering companies that have the ability to undertake the EPC turnkey project for resource recycling furnace in Taiwan. This is helpful for the Company in assisting customers and itself for realizing the corporate goals for social and environmental sustainable development.
2022	12	Capitalization of retained earnings for NT\$14,158,190, and the paid-in capital was increased to NT\$722,067,800.
2023	1	The Company was awarded the order for the new construction of Cloud Universe Industrial Park - Electrical and Water Supply and Drainage Works (Zone B) from BES Engineering Inc.. The total contract amount was NT\$1.12988 billion (after tax). This order affirms the Company's team skill and competitive advantage.

Organization Chart of King Polytechnic Engineering CO., Ltd.

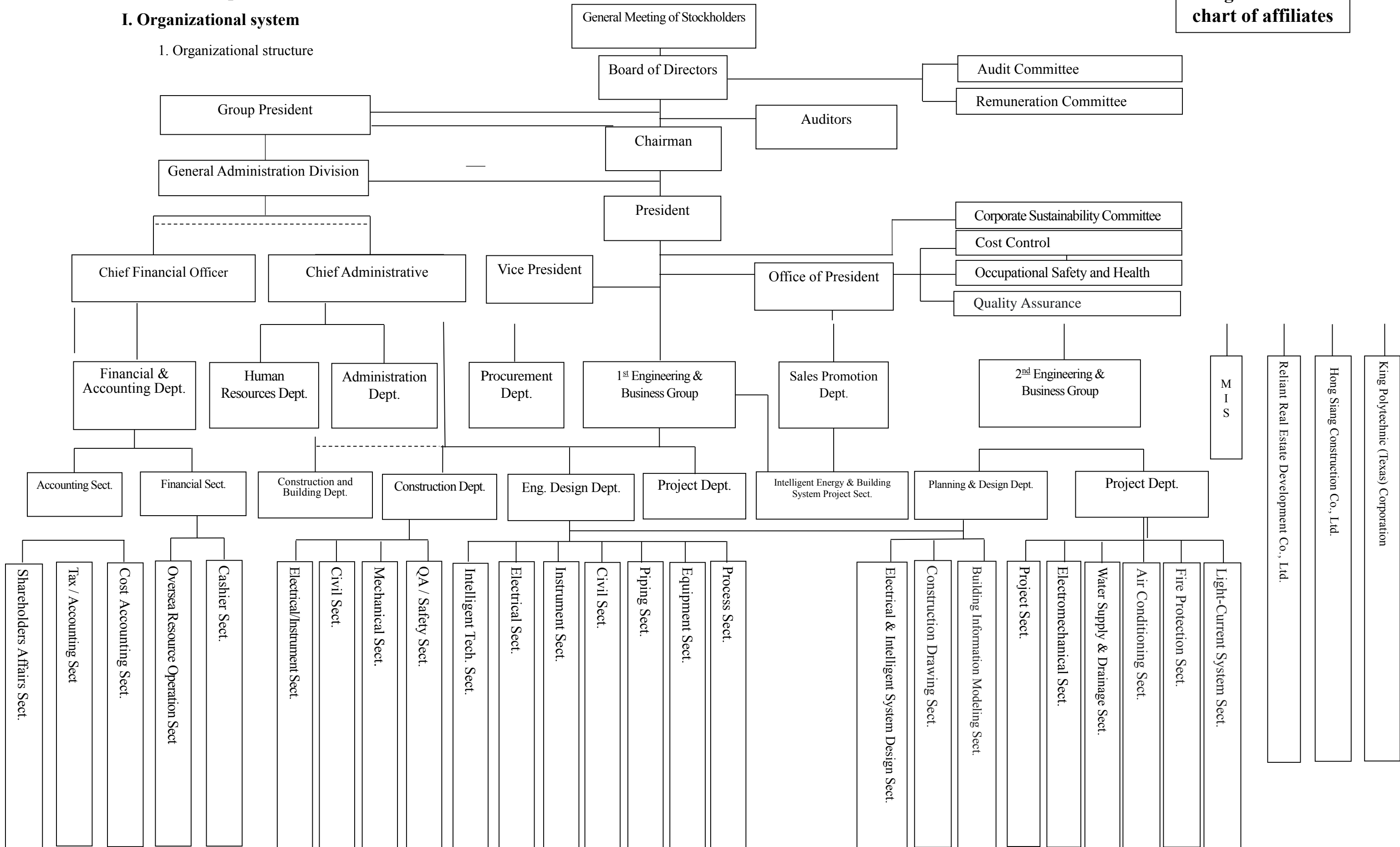
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Three. Corporate Governance Report

Organizational chart of affiliates

I. Organizational system

1. Organizational structure



2. Functions of each department

Segment		Departmental duties
1st Engineering & Business Group	Engineering Design Department	<p><u>Process Sect.</u> Responsible for the selection of process method, planning and design, mass-energy balance, equipment, instrument and pipeline size and calculation.</p> <p><u>Mechanical equipment group</u> Responsible for the planning, design, construction, and construction and supervision of the selection of rotating machinery, towers, tanks, pressure vessels, heat exchangers, and heating furnaces.</p> <p><u>Piping Sect.</u> Responsible for the planning, design, construction and supervision of equipment layout, fire protection system, and all pipelines of the entire plant.</p> <p><u>Civil and Structural Division</u> Responsible for the planning, design, construction and supervision of civil engineering, steel structure, building, and earth engineering.</p> <p><u>Computerized Instrument Sect.</u> Responsible for the planning, design, construction, and manufacturing supervision of instruments, controls, and monitoring systems.</p> <p><u>Electrical Sect.</u> Responsible for the planning, design, construction, and supervision of mechanical and electrical systems such as power, motor control center, lighting, communication, and grounding.</p> <p><u>Intelligent Tech. Sect.</u> Responsible for the promotion, planning, design, construction, and supervision of smart manufacturing projects.</p>
	Project Dept.	Integrate the overall management of design, procurement, and construction, such as project cost estimation, project budget control, project progress control, and project quality management.
	Construction Dept.	Management and supervision of construction projects.
	Construction and Building Dept.	Construction management and supervision of construction projects.
2nd Engineering & Business Group	Project Dept.	Integrate the design, procurement, estimation, engineering construction, project progress, engineering quality control and overall management of project cost estimates for related projects of residential/commercial buildings, hotels, cleanroom of technical plants, mass rapid transportation engineering, power generation plants and other public works, mechanical system engineering, and smart engineering.
	Planning & Design Dept.	Responsible for project valuation, design and planning of electrical, water supply and drainage, air conditioning, fire protection, and weak current systems, and drawing and review of construction drawings.
Sales Promotion Dept. and the Intelligent Energy & Building System Project Sect.		<p>I. Business development of project contracting.</p> <p>II. Responding to customer complaints, supervising corrective and preventive measures.</p> <p>III. Responsible for the planning, execution, and promotion of green smart buildings and smart factory projects.</p>
General Management Division (Finance)	Finance Department	<p>I. Responsible for the development of bank credit lines and fund allocation for subsidiaries.</p> <p>II. Assistance in customs, taxation, import/export declarations, and other matters for subsidiaries.</p> <p>III. Financing planning, fund management and dispatching, and planning and control of taxation and other related matters for each re-invested enterprise.</p> <p>IV. Responsible for legal affairs.</p> <p>V. Responsible for routine payment procedures, application for letter of guarantee, remittance, and execution of bills.</p> <p>VI. Takes charge of managing cashiers and banking operations.</p>
	Accounting Department	<p>I. Processing of accounting, taxation, costing and budgeting, and preparation of financial statements and various management reports.</p> <p>II. Cooperate with the Taipei Exchange (TPEX) for input information in the announcements and execute and control the matters regulated by the stock affairs.</p>
General Management Division (Administration)	Management Department	Responsible for general affairs.

Segment	Departmental duties	
	Human Resources Dept.	Coordinates the management of personnel-related affairs.
Procurement Department	Responsible for the outsourcing of engineering equipment procurement and asset procurement.	
President's Office	<p><u>Quality Assurance</u></p> <p>I. Communicate the Company's quality policy to all employees.</p> <p>II. Formulate quality plans and goals and review their implementation results.</p> <p>III. Establish a quality management system to implement quality plans and achieve goals.</p> <p>IV. Engaged in the supervision of various activities related to quality control operations, and strive to continuously improve the level of customer satisfaction.</p> <p>V. To provide all employees with education and training in quality discipline, knowledge, and ability.</p> <p><u>Occupational Safety and Health</u></p> <p>I. Promote and maintain occupational safety and health management (formulation and revision of occupational safety and health-related management regulations and forms, identification of risks and hazards, identification of laws and regulations, inspection of various construction sites, contract management, employee safety and health training, identification of risks and hazards, and recurring training courses).</p> <p>II. Implementation of statutory occupational safety and health plans (planning and implementation of occupational safety and health management/automatic inspections/hazard communication/accident investigation and management/human-induced hazard prevention/abnormal workload induced disease prevention/unlawful violations prevention/maternal health protection/health promotion; the Company also promotes environmental monitoring programs, executes environmental inspections, drafts an environmental monitoring plan, and executes annual occupational hazard health exams).</p> <p>III. Reporting statutory matters (work rules, OSH reporting, monthly occupational hazard reporting).</p> <p><u>Cost Control</u></p> <p>Responsible for the budget control and tracking, cost analysis, and risk assessment of each project.</p> <p><u>Consultant</u></p> <p>Supervision and consultation of engineering technology, engineering quality, and safety.</p>	
Audit Office	Responsible for the execution of the Company's internal audit operations, tracking the effectiveness of improvement, and self-assessment of internal control.	
MIS	Manages and operates the information system, and maintains the normal functions of the Company's computer hardware and software.	

V. Information of Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and heads of various departments and branches

(I) 1. Information of directors and supervisors

April 28, 2023

Job title (Note I)	Nationality or place of registration	Name	Gender and Age (Note II)	Date elected	Term of office	Date of initial election (Note III)	Shares Held at the Time of Election		Current holdings		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Main experience/education (Note IV)	Positions held concurrently in the Company and other companies	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks (Note V)
							Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Job title	Name	Relations	
Chairman	Taiwan (R.O.C.)	Hong Chien-Fong	Male 41-50	2022.6.24	3 years	2013..6..24	623,857	0.88%	636,334	0.88%	0	0	0	0	B.S. Computer Science and Engineering, Yuan Ze University MBA, Claremont Graduate University	Chairman and Vice President of King Polytechnic Engineering Co., Ltd. Corporate Director, Hong Siang Construction Development Co., Ltd. Corporate Director and Chairman, and President, Reliant Real Estate Development Co., Ltd. Director, Taiwan Benefit Company Corporate director of Taiwan Benefit (Suzhou) Co., Ltd. Corporate director, Taiwan Benefit Autotech (Suzhou) Co., Ltd.	Director	Hung, Chen- Pan	Father and son	
																	Director	Chee-Lee Lai	Uncle and nephew	
																	Supervisors	Bi-Chuan Chen	Uncle and nephew	
Corporate director	Taiwan (R.O.C.)	Chuan Lun Holding Co. Ltd.		2022.6.24	3 years	1998.8.05	2,383,560	3.37%	2,431,231	3.37%	0	0	0	0	None	Corporate Director of Ve Wong Corporation Corporate Director of Evergreen Leasing Corporation Corporate Director of Taichi Enterprise Co., Ltd. Corporate Director of Joy Medical Devices Corporation Corporate Director of King Polytechnic Engineering Co., Ltd. Corporate Director of Taiwan Benefit Company	None	None	None	
	Taiwan (R.O.C.)	Representative: Chee-Lee Lai	Male 71-80	2022.6.24	3 years	1998.8.5	0	0	0	0	838,588	1.18%	0	0	Master's Degree, University of Minnesota Chairman of Taiwan Kawasaki Shipping Group	Chairman and President of Chuan Lun Holding Co. Ltd. Director of Evergreen Leasing Corporation Chairman of Taiwan Kawasaki Co., Ltd. Chairman of Taichi Enterprise Co., Ltd. Chairman of Joy Medical Devices Corporation Director of Ve Wong Corporation	Supervisors	Bi-Chuan Chen	Spouse	
Corporate director	Taiwan (R.O.C.)	Neptune Investment Co., Ltd.		2022.6.24	3 years	-	1,400,950	1.98%	1,428,969	1.98%	0	0	0	0						
	Taiwan (R.O.C.)	Representative: Shu-Hua Chang	Male 51-60	2022.6.24	3 years	-	0	0	0	0	0	0	0	0	Department of Mechanical Engineering, Xipu Institute of Technology Director, Sunny Bank Ltd.	Director, Sunny Bank Ltd. Chairman of Jin Chen Investment Co., Ltd. Chairman of Kuang Chi Culture Co., Ltd. Chairman of HAI WONG PRINTING CO., LTD. Responsible person of Li Kun Investment Co., Ltd.				
Director	Taiwan (R.O.C.)	Hung, Chen-Pan	Male 71-80	2022.6.24	3 years	1998.8.5	2,671,560	3.77%	2,724,991	3.77%	797,342	1.13%	0	0	Master of Chemical Engineering, National Taiwan University Chairman of King Polytechnic Engineering Co., Ltd. Chairman, Taiwan Benefit Company Supervisor, ITEQ Corporation Supervisor, BIOTEQUE Corporation	Director and Group President, King Polytechnic Engineering Co., Ltd. Chairman, Taiwan Benefit Company Corporate director and Chairman of Taiwan Benefit (Suzhou) Co., Ltd. Corporate Director and Chairman, Taiwan Benefit Autotech (Suzhou) Co., Ltd. Chairman, KPEC International Investment & Development Corp. Corporate Director, Hong Siang Construction Development Co., Ltd. Corporate Director, Taiwan Benefit Technology (SAMOA) Corp., Corporate Director, PT.Taiwan Benefit Indonesia Corporate Director, Taibeco (Thailand) Co., Ltd. Corporate Director of Reliant Real Estate development Co., Ltd. Corporate Director and Responsible Person of King Polytechnic (Texas) Corporation.	Director	Chee-Lee Lai	Brother-in-law	
																	Chairman	Hong Chien- Fong	Father and son	
																	Supervisors	Bi-Chuan Chen	Younger sister- in-law	

Job title (Note I)	Nationality or place of registration	Name	Gender and Age (Note II)	Date elected	Term of office	Date of initial election (Note III)	Shares Held at the Time of Election		Current holdings		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Main experience/education (Note IV)	Positions held concurrently in the Company and other companies	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks (Note V)
							Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Job title	Name	Relations	
Director	Taiwan (R.O.C.)	Chang, Pang-Yen	Male 71-80	2022.6.24	3 years	2007.6.21	586,095	0.83%	597,816	0.83%	0	0	0	0	Department of Pharmacy, National Taipei Medical University Chairman of Polypon Consulting Co., Ltd.	Director of Polypon Consulting Co., Ltd. Director, BIOTEQUE Corporation	None	None	None	
Director	Taiwan (R.O.C.)	Chang Ming-Chan	Male 61-70	2022.6.24	3 years	2016.6.27	193,995	0.27%	246,834	0.34%	0	0	0	0	Department of Resource Engineering, United Engineering Institute MBA, Chaoyang University of Technology Assistant Vice President of Kang Chuan Engineering Co., Ltd.	Vice Chairman and President of King Polytechnic Engineering Co., Ltd. Corporate Director and Chairman and President of Hong Siang Construction Development Co., Ltd. Corporate Director of Reliant Real Estate Development Co., Ltd. Corporate Director and Responsible Person of King Polytechnic (Texas) Corporation	None	None	None	
Independent Director	Taiwan (R.O.C.)	Hui-You Hsu	Male 61-70	2022.6.24	3 years	2013.6.24	11,243	0.02%	11,467	0.02%	0	0	0	0	Doctoral Degree in Law, National Chengchi University Director-General of the National Security Agency Director-General, Coast Guard Administration, Executive Yuan Vice Chairman and Secretary- General of The Straits Exchange Foundation Judge, Taipei District Court	Independent director of SONG HO INDUSTRIAL CO., LTD. Director, Kung Long Batteries Industrial Co., Ltd. Head of Shifang Law Office Adjunct Associate Professor, Central Police University	None	None	None	
Independent Director	Taiwan (R.O.C.)	Jung-Hui, Liang	Male 61-70	2022.6.24	3 years	-	0	0.00%	0	0.00%	0	0	0	0	Ph.D. in Business Administration, National Taiwan University of Science and Technology General Manager and Chairman of Taoyuan Aerotropolis Co., Ltd President of Kainan University President of Chungyu Institute of Science and Technology Director and Research Fellow of Taiwan Research Institute Deputy Director and Research fellow of Taiwan Institute of Economics Research Dean of Business School of Chien Hsin University of Science and Technology Director of First Financial Holding Co. Ltd. Independent Director of Taiyen Biotech Co., Ltd. Director of Jin ding Securities Co., Ltd. Director of Taiwan Sugar Corporation	Supervisor, Jinwen University of Science and Technology Adjunct Professor, Department of Finance, Chinese Culture University Independent Director, Formosa Optical Technology Co.,Ltd.	None	None	None	
Independent Director	Taiwan (R.O.C.)	Mao-Sheng Liang	Male 71-80	2022.6.24	3 years	-	0	0.00%	0	0.00%	0	0	0	0	Bachelor, Department of Chemical Engineering, National Taiwan University Vice Chairman of Taiwan Printed Circuit Association (TPCA) Vice Chairman, Taiwan Electronic Equipment Industry Association (TEEIA) Vice Chairman, Taiwan Display Union Association (TDUA) Supervisor of Association for Taiwan-Japan Cooperation on Industrial Technology (TJCIT)	Chairman and CEO of C SUN MFG. LTD.	None	None	None	

Note 1: For the corporate shareholders, the name and the representatives of the corporate shareholders shall be listed separately (the name of the corporate shareholder shall be indicated for the representative of the corporate shareholder), and the following table 1 shall be completed.

Note 2: Please state your actual age. It may be expressed in intervals, such as 41-50 years old or 51-60 years old.

Note 3: Fill in the time when first serving as a director or supervisor of the company. If there is any interruption, please explain in a note.

Note 4: For the experience related to the current position, such as working in an auditing accounting firm or a related enterprise during the aforementioned period, the job title and responsibilities shall be specified.

Note 5: If the Chairman and the President or someone with an equivalent position (the highest-ranking manager) are the same person, spouse, or relative of the first degree of kinship, the reason, legitimacy, necessity, and countermeasures must be explained (e.g. adding the number of independent directors) and more than half of the directors are not employees or managers concurrently).

Note 6: Institutional representative directors Yung-Hsing Tsai and Shu-Fen Liao, were retired from office on the election date June 24, 2022.

Note 7: In conjunction with the establishment of the Audit Committee, Supervisors Bi-Chuan Chen, Dun-Jen Cheng, and Shu-Ming Chang resigned on the election date.

2. Major shareholders of corporate shareholders

April 26, 2022

Name of institutional shareholder (Note 1)	Major shareholders of corporate shareholders (Note 2)
Chuan Lun Investment Co., Ltd.	Chee-Lee Lai (30%), Bi-Chuan Chen (22.25%), Chieh-Lun Lai (24%), Hsiao-Lun Lai (17.52%), Pei-Yu Chiang (5.74%), Hsin-Chien Lai (0.49%)
Yung Chia International Development	Shu-Mei Tsai Lai (29.05%), Yung-Hsing Tsai (28.05%), Hui-Chuan Tsai (22.90%), Chi-Min Tsai (11%), Chia-Yu Tsai (5%), Chao-Jan Wang (1%), Hsiang-Ling Wang (1%), Wei-Ling Wang (1%), Tzu-Ling Wang (1%)
Neptune Investment Co., Ltd.	Wan-Ling Chang (20%), Kun-Shan Chang (9%), Hsiu-Mei Chang Chen (11%), Shu-Ming Chang (20%), Wan-Ching Chang (20%), Shu-Hua Chang (20%)

Note 1: If a director or supervisor is a representative of a corporate shareholder, the name of the corporate shareholder shall be filled in.

Note 2: Fill in the names of the major shareholders of the juristic person (whose shareholding ratio falls in the top ten) and their shareholding ratios. If its major shareholder is a juristic person, please complete the following table.

Note 3: If the institutional shareholder is not a company organizer, the aforementioned name of the shareholder and shareholding ratio that shall be disclosed is the name of the investor or donor and the capital contribution or donation ratio. Not applicable.

3. Major shareholders of corporate shareholder: Not applicable.

4. Disclosure of information on directors' and supervisors' professional qualifications and the independence of independent directors:

Name	Criteria	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual serves as an independent director concurrently
Hung, Chen-Pan	Master's Degree in Chemical Engineering, National Taiwan University, currently Director and Group President of King Polytechnic Engineering Co., Ltd., Chairman, Taiwan Benefit Company, Corporate Director and Chairman, Taiwan Benefit (Suzhou) Co., Ltd., Corporate director, Taiwan Benefit Autotech (Suzhou) Co., Ltd., Corporate Director, Hong Siang Construction Development Co., Ltd., Corporate Director, Taiwan Benefit Technology (SAMOA) Corp., Supervisor, BIOTEQUE Corporation, Corporate Director of RELIANT REAL ESTATE DEVELOPMENT CO., LTD., Corporate Director, King Polytechnic (Texas) Corporation. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None	
Representative of FINE YUNG CHI INTERNATIONAL CO., LTD.: Yung-Hsing Tsai (Note 3)	He graduated from Tamsui University with an English degree. He is currently the corporate director of TAIWAN DEVELOPMENT CO., LTD., the corporate director of TAIWAN BENEFIT COMPANY, the director of FINE YUNG CHI INTERNATIONAL CO., LTD., the Chairman of AMADA TAIWAN INC., Corporate Director of TAIDEVELOP ID TECH CO., LTD.. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None	
Representative of FINE YUNG CHI INTERNATIONAL CO., LTD.: Shu-Fen Liao (Note 3)	He graduated from Taipei Shihlin Senior Commercial Vocational School. He used to be the Assistant Vice President of the Finance Department of TAIWAN DEVELOPMENT CO., LTD.. Currently, he is the corporate director of Taiwan Benefit Company and the consultant of the Finance Department of TAIWAN DEVELOPMENT CO., LTD. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None	
Representative of Chuan Lun Investment: Chee-Lee Lai	Master's degree from the University of Minnesota, USA. Currently, he is the Chairman and President of Chuan Lun Holding Co. Ltd.; Director, Evergreen Leasing Corporation; Chairman of Taiwan Kawasaki Co., Ltd.; Chairman of Taiwan Chih Enterprise Co., Ltd.; Chairman of Joy Medical Devices Corporation, Director of Ve Wong Corporation and a Chairman of Chieh Tai Biomedical Co., Ltd.. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None	
Hong Chien-Fong	MBA from Claremont College of Management, USA. Currently, he is Chairman and Vice President of Operations of KING POLYTECHNIC ENGINEERING CO., LTD. , Director, TAIWAN BENEFIT COMPANY, Corporate director of HONG SIANG CONSTRUCTION CO., LTD., Corporate Director and Chairman and President of RELIANT REAL ESTATE DEVELOPMENT CO., LTD., Corporate Director of Taiwan Benefit (Suzhou) Co., Ltd., Corporate Director of Taiwan Benefit Autotech (Suzhou) Co., Ltd., Corporate Director of LNT TECHNOLOGY CO., LTD.. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None	

Criteria	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual serves as an independent director concurrently
Name			
Chang, Pang-Yen	Graduated from National Taipei Medical University, Department of Pharmacy, previously served as Chairman of Pu Li Pang Consulting Co., Ltd., and is currently a Director of Pu Li Pang Consulting Co., Ltd. and a director of BIOTEQUE CORPORATION. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None
Chang Ming-Chan	Master of Business Administration, Chaoyang University of Technology, previously served as the Assistant Vice President of KANG CHUAN ENGINEERING CO., LTD., and is now the Vice Chairman and President of KING POLYTECHNIC ENGINEERING CO., LTD., Corporate Director and Chairman and President of Hong Siang Construction Development Co., Ltd., Corporate Director of RELIANT REAL ESTATE DEVELOPMENT CO., LTD., Corporate Director and Responsible Person of King Polytechnic (Texas) Corporation. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None
Chung-Wei Chang (Note 3)	Graduated from Soochow University with a bachelor's degree in Economics. He was the Vice President of GALLANT PRECISION MACHINING CO., LTD. (GPM) for many years. Possesses work experiences in commerce, legal affairs, finance, accounting, or corporate operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	<ol style="list-style-type: none"> 1. The director/supervisor, his/her spouse, or relatives within the second degree of kinship do not serve as directors, supervisors, or employees of the Company or any of the Company's affiliated companies. 2. The director/supervisor, his/her spouse, and relatives within the second degree of kinship neither own any shares of the Company under their own names nor in the names of others. 3. The director/supervisor is not a director, supervisor, or employee of a company specifically related to the Company. 4. The director/supervisor does not have any business, legal, financial or accounting service provided to the Company or any of its affiliated companies in the last 2 years for any reward. 	None
Hui-You Hsu	PhD degree in Law from National Chengchi University. He has previously served as the Director-General of National Security Bureau, Director-General of Coastal Guard Administration, Executive Yuan, Vice Chairman and Secretary-General of Taiwan Straits Exchange Foundation, and Judge of Taipei District Court. Currently, he is the head of Shifang Law Office, Independent Director of Song Ho Industrial Co., Ltd., Director of Kung Long Batteries Industrial Co., Ltd., and adjunct associate professor of Central Police University. He has backgrounds as a judge, prosecutor, lawyer, accountant, or any other professional and technical personnel that has passed the national examination required by the Company's business and has received certifications, and has the work experience required for commerce, legal affairs, finance, accounting, or corporate operations. He is not under any of the circumstances specified in Article 30 of the Company Act.	<ol style="list-style-type: none"> 1. The director/supervisor, his/her spouse, or relatives within the second degree of kinship do not serve as directors, supervisors, or employees of the Company or any of the Company's affiliated companies. 2. His/her spouse, and relatives within the second degree of kinship neither own any shares of the Company under their own names nor in the names of others. 3. The director/supervisor is not a director, supervisor, or employee of a company specifically related to the Company. 4. The director/supervisor does not have any business, legal, financial or accounting service provided to the Company or any of its affiliated companies in the last 2 years for any reward. 	1
Bi-Chuan Chen (Note 4)	He received a master's degree in Pharmacology from McGill University in Canada and a bachelor degree from the Department of Pharmacy from National Taiwan University. He is currently the Executive Director of Chuan Lun Holding Co. Ltd. and the Director of Taiwan Benefit Company. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None

Dun-Jen Cheng (Note 4)	PhD degree in material sciences from National Cheng Kung University. He has previously served as a researcher at the Institute of Materials Science and Technology of the Industrial Technology Research Institute, and Chairman of INPAQ TECHNOLOGY CO., LTD.. He is currently the CEO of INPAQ TECHNOLOGY CO., LTD. and the Chairman of APAQ TECHNOLOGY CO., LTD.. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None
Shu-Ming Chang (Note 4)	Graduated from Hua Hsia Institute of Technology in electrical engineering, currently serves as the Director of Sunny Bank Ltd., Chairman of CHERNG YANG PRINTING CO., LTD., Issuer of INK LITERARY MONTHLY PUBLISHING CO., LTD., and Chairman of RISING SUN PUBLISHING CO., LTD., the Responsible Person of Shin Ming Construction Co., Ltd. and Yang Ming Investment Co., Ltd., and the Director of Neptune Investment Co., Ltd.. Possesses work experience in commerce, legal affairs, finance, business management and other aspects required for the Company's operations, and is not under any of the circumstances specified in Article 30 of the Company Act.	Not applicable for non-independent directors.	None

Note 1: Professional qualifications and experience: Describe the professional qualifications and experience of individual directors and supervisors. If he/she is a member of the Audit Committee with accounting or financial expertise, please specify the accounting or financial background and work experience. State whether he/she is under any of the circumstances specified in Article 30 of the Company Act.

Note 2: Specify if the independent director meets the criteria for independence, including but not limited to whether the individual and spouse or relatives within the second degree of kinship thereof are serving as directors, supervisors, or employees of the Company or its affiliates; the number of the Company's shares held by the individual or spouse or relatives within the second degree of kinship thereof (or by nominee arrangement) and percentage; whether the individual is serving as a director, supervisor, or employee of a company with specific relations with the Company (refer to Article 3, Paragraph 1, Subparagraphs 5~8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); the amount of remuneration received for providing business, legal, financial, accounting, or other services to the Company or its affiliates in the last two years.

Note 3: In line with the re-election of the shareholders annual general meeting on June 24, 2022, directors Yung-Hsing Tsai and Shu-Fen Liao were retired. Independent director, Mr. Chung-Wei Change, resigned on November 30, 2021 due to old age and health issues.

Note 4: In response to the establishment of the Audit Committee, Bi-Chuan Chen, Dun-Jen Cheng, and Shu-Ming Chang completed their term on June 24, 2022.

4.1 Diversity and independence of the Board of Directors:

- (I) Diversity of the Board of Directors: All the members of the Board of Directors have the work experience required for the Company's business. Among them, the three independent directors have professional backgrounds in legal affairs and finance. They can provide guiding opinions for the Company's business development and legal compliance to facilitate the Company to achieve its goals. Currently there are 9 directors and supervisors. The Company advocates the policy of director diversity. In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the members of the Board of Directors have diversified and complementary capabilities in cross-industry fields, and each has industrial experience and related skills. They also have skills in business judgment, management, leadership, and crisis management. Article 20 of the Company's "Corporate Governance Best Practice Principles" stipulates the following skills that the Board of Directors shall have: 1. Business judgment, 2. Accounting and financial analysis, 3. Operational management, 4. Crisis handling, 5. Industry knowledge, 6. International market outlook, 7. Leadership, 8. Strategic decisions.
- (II) Independence of the Board of Directors: There are 9 directors in the Board of Directors, among which, 3 are independent directors accounting for more than one-third of the board. The independent directors (including but not limited to themselves, their spouses, and relatives within two degree of kinship) have not held positions as the Company's directors, supervisors, or employees and do not hold shares of the Company, nor do they provide commercial, legal, financial, or accounting services to the Company or its affiliated companies. The Directors also meet the requirements of Paragraph 3 and Paragraph 4 of Article 26-3 of the Securities and Exchange Act. In addition, the Company has obtained a written statement from each independent director confirming their independence from the Company (including but not limited to themselves, spouses, and relatives within the second degree of kinship). The Company believes that the independence of directors must be judged on the basis of substantive circumstances, and will continue to evaluate the independence of directors, taking into account all relevant factors, including: Whether the relevant director can continue to raise constructive questions for the management and other directors, and express opinions independently of the management or other directors, and whether their words and deeds inside and outside the board of directors are appropriate. The behaviors of the Company's independent directors meet expectations under appropriate circumstances and exhibit the above characteristics. After considering all the circumstances described in this section, the Company believes that all independent directors are independent from the Company. The biographies of all Directors, including the relationship between the members, are shown on page 17.

5. Continuing education of directors and supervisors

Job title	Name	Date of continuing education	Organizer	Course title
Representative of the director, Portal International IPRs Service Co., Ltd.	Chee-Lee Lai	2022/11/07	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate compliance
		2022/05/09	Taiwan Corporate Governance Association	From CSR to ESG Corporate Management Mentality
		2021/11/08	Taiwan Corporate Governance Association	Challenges and Opportunities of Carbon Neutrality under Global Risks
		2021/05/10	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in terms of insider shareholding management and share trading
		2020/11/09	Taiwan Corporate Governance Association	Labor Dispute Prevention and Corporate Governance
		2020/05/04	Taiwan Corporate Governance Association	Business Secret Protection Practices 2.0
Independent Director	Mao-Sheng Liang	2023/03/10	Taiwan Corporate Governance Association	Shareholders' Meeting, Management and Shareholding Strategy
		2022/11/07	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate compliance
Director	Hong Chien-Fong	2022/11/07	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate compliance
		2022/05/09	Taiwan Corporate Governance Association	From CSR to ESG Corporate Management Mentality
		2021/11/08	Taiwan Corporate Governance Association	Challenges and Opportunities of Carbon Neutrality under Global Risks
		2021/05/10	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in terms of insider shareholding management and share trading
		2020/11/09	Taiwan Corporate Governance Association	Labor Dispute Prevention and Corporate Governance
		2020/05/04	Taiwan Corporate Governance Association	Business Secret Protection Practices 2.0

Director	Chang, Pang-Yen	2022/11/07	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate compliance
		2022/05/09	Taiwan Corporate Governance Association	From CSR to ESG Corporate Management Mentality
		2021/11/08	Taiwan Corporate Governance Association	Challenges and Opportunities of Carbon Neutrality under Global Risks
		2021/05/10	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in terms of insider shareholding management and share trading
		2020/11/09	Taiwan Corporate Governance Association	Labor Dispute Prevention and Corporate Governance
		2020/05/04	Taiwan Corporate Governance Association	Business Secret Protection Practices 2.0
Independent Director	Hui-You Hsu	2022/11/07	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate compliance
		2022/05/09	Taiwan Corporate Governance Association	From CSR to ESG Corporate Management Mentality
		2021/11/08	Taiwan Corporate Governance Association	Challenges and Opportunities of Carbon Neutrality under Global Risks
		2021/05/10	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in terms of insider shareholding management and share trading
		2020/11/09	Taiwan Corporate Governance Association	Labor Dispute Prevention and Corporate Governance
		2020/05/04	Taiwan Corporate Governance Association	Business Secret Protection Practices 2.0
Director	Hung, Chen-Pan	2022/11/07	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate compliance
		2022/05/09	Taiwan Corporate Governance Association	From CSR to ESG Corporate Management Mentality
		2021/11/08	Taiwan Corporate Governance Association	Challenges and Opportunities of Carbon Neutrality under Global Risks

		2021/05/10	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in terms of insider shareholding management and share trading
		2020/11/09	Taiwan Corporate Governance Association	Labor Dispute Prevention and Corporate Governance
		2020/05/04	Taiwan Corporate Governance Association	Business Secret Protection Practices 2.0
Independent Director	Jung-Hui, Liang	2022/11/07	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate compliance
Director	Chang Ming-Chan	2022/11/07	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate compliance
		2022/05/09	Taiwan Corporate Governance Association	From CSR to ESG Corporate Management Mentality
		2021/11/08	Taiwan Corporate Governance Association	Challenges and Opportunities of Carbon Neutrality under Global Risks
		2021/05/10	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in terms of insider shareholding management and share trading
		2020/11/09	Taiwan Corporate Governance Association	Labor Dispute Prevention and Corporate Governance
		2020/05/04	Taiwan Corporate Governance Association	Business Secret Protection Practices 2.0
Representative of the director, Portal International IPRs Service Co., Ltd.	Shu-Hua Chang	2022/11/07	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate compliance

(II) Information of the President, Vice Presidents, Assistant Vice Presidents, and heads of various departments and branches

April 26, 2023 Unit: Shares

Job title	Nationality	Name	Gender	Date elected	Shareholding		Spouse, minor Shares held by children		Shares held in the names of others Shareholding		Major education and experience	Currently concurrently serving in other companies	Spouse or relatives within second degree of kinship who are other managers of the Company		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relations
Chairman and Vice President of Operations	Taiwan (R.O.C.)	Hong Chien-Fong	Male	2022.6	623,857	0.88%	0	0	0	0	B.S. Computer Science and Engineering, Yuan Ze University MBA, Claremont Graduate University	Corporate Director, Hong Siang Construction Development Co., Ltd. Corporate Director and Chairman, and President, Reliant Real Estate Development Co., Ltd. Director, Taiwan Benefit Company Corporate director of Taiwan Benefit (Suzhou) Co., Ltd. Corporate director, Taiwan Benefit Autotech (Suzhou) Co., Ltd. Corporate director, LNT TECHNOLOGY CO., LTD.	None	None	None
President	Taiwan (R.O.C.)	Chang Ming-Chan	Male	2016.6	193,995	0.27%	0	0	0	0	Department of Resource Engineering, United Engineering Institute MBA, Chaoyang University of Technology Assistant Vice President of Kang Chuan Engineering Co., Ltd.	Corporate Director and Chairman and President of Hong Siang Construction Development Co., Ltd. Corporate Director of Reliant Real Estate Development Co., Ltd. Corporate Director and Responsible Person, King Polytechnic (Texas) Corporation	None	None	None
2nd Engineering & Business Group Vice President	Taiwan (R.O.C.)	Chun-Hsien Kao	Male	2001.07	0	0	0	0	0	0	Department of Agricultural Machinery, Pingtung College of Agricultural Science and Technology Pipeline design engineer, Fu-Tai Engineering Co., Ltd. Engineer of FORMOSA CHEMICALS & FIBRE CORPORATION	None	None	None	None
2nd Engineering & Business Group President's Office	Taiwan (R.O.C.)	Yung-Hsi Chen	Male	2014.04	0	0	1,223	0	0	0	Department of Electrical Engineering, National Taipei University of Technology Deputy Factory Affairs Manager, CMC MAGNETICS CORPORATION	None	None	None	None
Head of 1st Engineering & Business Group and Assistant Vice President of Project Department	Taiwan (R.O.C.)	Cheng-Chuan Lu	Male	2016.01	0	0	0	0	0	0	Department of Chemical Engineering, Feng Chia University EMBA, National Taiwan Normal University Project Manager, Chihsin Technology Co., Ltd. Liquefied Gas Assistant Manager, Tung Ting Gas Corp. Engineering Engineer, CTCI CORPORATION	None	None	None	None
1st Engineering & Business Group Assistant Vice President of Construction Dept.	Taiwan (R.O.C.)	Chi-Kui Li	Male	107.9	1,184	0	0	0	0	0	Mechanical Engineering, Cheng Shiu University Project Manager, KANG CHUAN ENGINEERING CO., LTD.	None	None	None	None

Assistant Vice President of Sales Department	Taiwan (R.O.C.)	Chun-Hung Lee	Male	2023.04	0	0	0	0	0	0	Department of Industrial Management, Chung Hua University Department of Business Administration, East China University of Science and Technology, Shanghai Special Assistant to President of Micropac Precision Technology Co., Ltd.	None	None	None	None	
Vice President of General Administration Division and Chief Financial Officer and Head of Accounting	Taiwan (R.O.C.)	Chin-Pi Hsu	Female	2001.07	29,253	0.04%	0	0	0	0	MBA, University of Wisconsin Vice President of Finance and Accounting, TAIWAN BENEFIT COMPANY Finance and Accounting Manager, TAIWAN DEVELOPMENT CO., LTD.	Corporate Director and Responsible Person of King Polytechnic (Texas) Corporation. Supervisor, Hong Siang Construction/Reliant Real Estate Development Co., Ltd. Vice President of Finance and Accounting Dept., TAIWAN BENEFIT COMPANY Corporate director of Taiwan Benefit (Suzhou) Co., Ltd. Corporate director, Taiwan Benefit Autotech (Suzhou) Co., Ltd.	None	None	None	None
Assistant Vice President of Procurement Dept.	Taiwan (R.O.C.)	Hsien-Chao Chang	Male	2019.7	0	0	0	0	0	0	Department of Shipbuilding, National Taiwan Ocean University Purchasing Manager, General Administration Division, Formosa Plastic Group Deputy Division Chief, CONTRACT RESOURCES (TAIWAN) CO., LTD.	None	None	None	None	None
Chief Audit Officer (Manager)	Taiwan (R.O.C.)	Yi-Chieh Huang	Male	2007.08	0	0	0	0	0	0	Department of Industrial Engineering, Feng Chia University Assistant Audit Manager, DEHWA CONSTRUCTION CO., LTD.	None	None	None	None	None

Note: Hsuan-Yao Kung, the former head of accounting, resigned on October 6, 2022.

(III) Remuneration to Directors, Supervisors, President and Vice Presidents

(1) Remuneration to general directors and independent directors

Unit: New Taiwan Dollars

Job title	Name	Remuneration to directors								Sum of A, B, C, and D as a % of the net income after tax		Remuneration received for serving as an employee concurrently								Sum of A, B, C, D, E, F, and G and as a % of the net income after tax		Is there remuneration from investees other than subsidiaries or from the parent company
		Base remuneration (A)		Severance and pension (B)		Remuneration to directors (C)		Business execution expenses (D)				Remuneration, bonus, and allowance (E)		Severance and pension (F)		Employee remuneration (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company (%)	All companies in the financial statements (%)	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Cash amount	Stock amount	Cash amount	Stock amount	The Company (%)	All companies in the financial statements (%)	
Director and Group President	Hung, Chen-Pan	-	-	-	-	389,620	389,620	18,000	18,000	0.3160%	0.3160%	3,643,016	3,643,016	-	-	643,574	-	643,574	-	3.6386%	3.6386%	None
Chairman and Vice President of Operations	Hong Chien-Fong	-	-	-	-	389,620	389,620	18,000	18,000	0.3160%	0.3160%	2,170,189	2,170,189	-	-	334,149	-	334,149	-	2.257%	2.257%	None
Director-cum-President	Chang Ming-Chan	-	-	-	-	389,620	389,620	18,000	18,000	0.3160%	0.3160%	5,108,827	7,717,776	-	-	2,092,053	-	2,092,053	-	5.898%	7.920%	None
Corporate director	Chuan Lun Holding Co., Ltd.	-	-	-	-	389,620	389,620	-	-	0.3020%	0.3020%	-	-	-	-	-	-	-	-	0.302%	0.302%	None
	Representative: Chee-Lee Lai	-	-	-	-	-	-	18,000	18,000	0.0140%	0.0140%	-	-	-	-	-	-	-	-	0.014%	0.014%	None
Corporate director	Neptune Investment Co., Ltd.	-	-	-	-	389,620	389,620	-	-	0.3020%	0.3020%	-	-	-	-	-	-	-	-	0.302%	0.302%	None
	Representative: Shu-Hua Chang	-	-	-	-	-	-	12,000	12,000	0.0093%	0.0093%	-	-	-	-	-	-	-	-	0.009%	0.009%	None
Director	Chang, Pang-Yen	-	-	-	-	389,620	389,620	18,000	18,000	0.3160%	0.3160%	-	-	-	-	-	-	-	-	0.316%	0.316%	None
Corporate director	Yung Chia International Development Co., Ltd.	-	-	-	-	-	-	-	-	0.0000%	0.0000%	-	-	-	-	-	-	-	-	0.000%	0.000%	None
	Representative: Yung-Hsing Tsai (Note)	-	-	-	-	-	-	6,000	6,000	0.0047%	0.0047%	-	-	-	-	-	-	-	-	0.005%	0.005%	None
	Representative: Shu-Fen Liao (Note)	-	-	-	-	-	-	6,000	6,000	0.0047%	0.0047%	-	-	-	-	-	-	-	-	0.005%	0.005%	None
Independent Director	Hui-You Hsu	300,000	300,000	-	-	389,621	389,621	68,000	68,000	0.5873%	0.5873%	-	-	-	-	-	-	-	-	0.587%	0.587%	None
Independent Director	Jung-Hui, Liang	180,000	180,000	-	-	389,621	389,621	42,000	42,000	0.4741%	0.4741%	-	-	-	-	-	-	-	-	0.474%	0.474%	None
Independent Director	Mao-Sheng Liang	180,000	180,000	-	-	389,621	389,621	32,000	32,000	0.4663%	0.4663%	-	-	-	-	-	-	-	-	0.466%	0.466%	None

1. Please specify the policy, system, standard and structure of the remuneration for independent directors, and describe the correlation between the remuneration and the amount of remuneration based on the responsibilities, risks, time invested and other factors: None.

2. Except as disclosed in the above table, the remuneration received by the Company's directors for providing services to all companies in the financial statements (such as serving as a consultant in a non-employee capacity) in the most recent year: None.

3. The 2022 profit after tax that was audited and verified by the CPAs was NT\$129,011,515. On March 13, 2023, the Board of Directors passed the remuneration for the employees and directors for NT\$14,026,332 and NT\$3,506,583, respectively, in cash. Once approved by the shareholders' meeting this year, the profit-sharing will be distributed in the second half of 2023.

4. The proposed distribution of remuneration to directors, supervisors and employees for this year is calculated based on the actual distribution ratio of last year.

Note: Directors Yung-Hsing Tsai and Shu-Fen Liao retired from office on the date of the annual general shareholders' meeting on June 24, 2022.

Remuneration range table

Ranges of remuneration paid to each director of the Company	Name of director			
	Sum of A+B+C+D (Including director remuneration)		Sum of A+B+C+D+E+F+G (Including remuneration to directors and employees, salaries, and bonuses)	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Below NT\$1,000,000	Jenn-Pan Horng and 9 others	Jenn-Pan Horng and 9 others	Chee-Lee Lai, Yung-Hsing Tsai and 4 others	Chee-Lee Lai, Yung-Hsing Tsai and 4 others
NT\$1,000,000 (inclusive) - NT\$2,000,000	0	0	0	0
NT\$2,000,000 (inclusive) - NT\$3,500,000	0	0	Hong Chien-Fong	Hong Chien-Fong
NT\$3,500,000 (inclusive) - NT\$5,000,000	0	0	Hung, Chen-Pan	Hung, Chen-Pan
NT\$5,000,000 (inclusive) - NT\$10,000,000	0	0	Chang Ming-Chan	Chang Ming-Chan
NT\$10,000,000 (inclusive) - NT\$15,000,000	0	0	0	0
NT\$15,000,000 (inclusive) - NT\$30,000,000	0	0	0	0
NT\$30,000,000 (inclusive) - NT\$50,000,000	0	0	0	0
NT\$50,000,000 (inclusive) - NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	9	9	9	9

Note: Directors Yung-Hsing Tsai and Shu-Fen Liao retired from office on the date of the annual general shareholders' meeting on June 24, 2022.

(2) Remuneration to supervisors and independent directors

Unit: NTD

Job title	Name	Supervisors' remuneration						Sum of A, B, and C and as a % of the net income after tax		Is there remuneration from investees other than subsidiaries or from the parent company
		Base remuneration (A)		Remuneration (B)		Business execution expenses (C)		The Company (%)	All companies included in the financial statements (%)	
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements			
Supervisors	Bi-Chuan Chen	0	0	0	0	6,000	6,000	0.0047%	0.0047%	None
Supervisors	Dun-Jen Cheng	0	0	0	0	6,000	6,000	0.0047%	0.0047%	None
Supervisors	Shu-Ming Chang	0	0	0	0	6,000	6,000	0.0047%	0.0047%	None
Independent Director	Hui-You Hsu	660,000	660,000	1,168,863	1,168,863	142,000	142,000	1.5277%	1.5277%	None
Independent Director	Jung-Hui Liang									
Independent Director	Mao-Sheng Liang									

Note: Re-election during the Shareholders' Meeting on June 24, 2022 was for the establishment of the Audit Committee and the supervisors were discharged at the end of their term of office.

Remuneration range table

Ranges of remuneration paid to each supervisor and independent director of the Company	Name of supervisor	
	Sum of A+B+C	
	The Company	All companies in the financial statements
Below NT\$1,000,000	Supervisors: Bi-Chuan Chen, Dun-Jen Cheng, Shu-Ming Chang Independent Directors: Hui-You Hsu, Hsing-Hui Liang, Mao-Sheng Liang	Supervisors: Bi-Chuan Chen, Dun-Jen Cheng, Shu-Ming Chang Independent Directors: Hui-You Hsu, Hsing-Hui Liang, Mao-Sheng Liang
NT\$1,000,000 (inclusive) - NT\$2,000,000	0	0
NT\$2,000,000 (inclusive) - NT\$3,500,000	0	0
NT\$3,500,000 (inclusive) - NT\$5,000,000	0	0
NT\$5,000,000 (inclusive) - NT\$10,000,000	0	0
NT\$10,000,000 (inclusive) - NT\$15,000,000	0	0
NT\$15,000,000 (inclusive) - NT\$30,000,000	0	0
NT\$30,000,000 (inclusive) - NT\$50,000,000	0	0
NT\$50,000,000 (inclusive) - NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	Total of 6 people	Total of 6 people

(3) Remuneration to the President, Vice Presidents, and Assistant Vice President

Unit: In Thousand of New Taiwan Dollars

Job title	Name	Salary (A)		Severance and pension (B)		Bonuses, special allowances (C)		Employee remuneration (D)				Sum of A, B, C, and D and as a % of the net income after tax		Is there remuneration from investees other than subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies included in the financial statements		The Company (%)	All companies in the financial statements (%)	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman and Operational Vice President	Hong Chien-Fong													
President	Chang Ming-Chan													
Vice President and Head of Accounting, Management Office	Chin-Pi Hsu													
2nd Engineering & Business Group Vice President	Chun-Hsien Kao													
1st Engineering & Business Group President's Office	Cheng-Chuan Lu	11,029	11,029	0	0	5,111	7,720	3,961	0	3,961	0	15.58%	17.60%	None
1st Engineering & Business Group President's Office	Chi-Kui Li													
2nd Engineering & Business Group President's Office	Yung-Hsi Chen													
Assistant Vice President of Procurement Dept.	Hsien-Chao Chang													

Note 1: The Company's 2022 appropriation of earnings was approved by the board of directors before the shareholders' meeting to allocate cash remuneration to employees for NT\$14,026,332.

Note 2: The amount of employee remuneration expressed above is calculated based on the actual distribution ratio of the previous year to come up with the proposed distribution for 2022.

Note 3: The Company's 2022 standalone financial statement audited and verified by the CPAs and its profit after tax amounted to NT\$129,011,515.

Remuneration range table

Range of remuneration paid to the Company's President, Vice Presidents, and Assistant Vice Presidents	Name of President/Vice President	
	The Company	All companies included in the consolidated financial statements
Below NT\$1,000,000	0	0
NT\$1,000,000 (inclusive) - NT\$2,000,000	Hsien-Chao Chang	Hsien-Chao Chang
NT\$2,000,000 (inclusive) - NT\$2,500,000	Chun-Hsien Gao, Cheng-Chuan Lu, Chi-Kui Lee, Yung-Hsi Chen, Chin-Pi Hsu	Chun-Hsien Gao, Cheng-Chuan Lu, Chi-Kui Lee, Yung-Hsi Chen, Chin-Pi Hsu
NT\$2,500,000 (inclusive) - NT\$3,500,000	Hong Chien-Fong	Hong Chien-Fong
NT\$3,500,000 (inclusive) - NT\$5,000,000	0	0
NT\$5,000,000 (inclusive) - NT\$10,000,000	Chang Ming-Chan	Chang Ming-Chan
NT\$10,000,000 (inclusive) - NT\$15,000,000	0	0
NT\$15,000,000 (inclusive) - NT\$30,000,000	0	0
NT\$30,000,000 (inclusive) - NT\$50,000,000	0	0
NT\$50,000,000 (inclusive) - NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	3	3

(4) Names of the managers who receive employee remuneration and the distribution status

Unit: In Thousand of New Taiwan Dollars

Job title	Name	Stock amount	Cash amount	Total	Total as a percentage of net income after tax (%)	
Managers	Chairman and Operational Vice President	Hong Chien-Fong	0	3,961	3,961	3.07%
	President	Chang Ming-Chan				
	Vice President	Chun-Hsien Kao				
	Vice President and Head of Accounting	Chin-Pi Hsu				
	Assistant Vice President, Project Business Group 1	Cheng-Chuan Lu				
	Assistant Vice President, Project Business Group 1	Chi-Kui Li				
	Assistant Vice President, Project Business Group 2	Yung-Hsi Chen				
	Assistant Vice President of Procurement Dept.	Hsien-Chao Chang				

Note 1: The Company's 2022 standalone financial statement audited and verified by the CPAs and its profit after tax amounted to NT\$129,011,515.

Note 2: The Company's proposal for the distribution of surplus or make-up for the loss in 2022 has been approved by the board of directors before the shareholders' meeting to allocate cash remuneration of NT\$14,026,332 to the employees. After the resolution of the shareholders' meeting this year, it will be assessed and distributed according to the individual contributions of all employees.

Note 3: The amount of employee remuneration expressed above is calculated based on the actual distribution ratio of the previous year to come up with the proposed distribution for this year.

- (IV) An analysis of the total remuneration paid to the Company's directors, supervisors, the President, and Vice Presidents by the Company and all companies in the consolidated financial statements as a percentage of the net income after tax in the standalone financial report for the most recent two years, and the remuneration policy, standard, and package, the procedure for determining the remuneration, and the correlation between business performance and future risks.

Year	Total amount of remuneration paid (in thousand dollars)		As a percentage of net income after tax	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
2021	19,031	21,166	34.14%	37.973
2022	23,246	25,855	18.02%	20.04

The remunerations to the Company's directors, supervisors, President, and Vice Presidents are all paid by the Company. The net income after tax for 2021 and 2022 were NT\$55,739 thousand and NT\$129,011 thousand, respectively. The percentage of remuneration paid to the directors, supervisors and senior management account for 37.97% and 20.04%, respectively, of the net income after tax. The remuneration to them are mostly for the travel fees for meetings and the earnings distribution each year in addition to receiving allowance. Their remuneration is allocated based on Article 26 of the Company's Articles of Incorporation. The Article states that when there are earnings from the settlement at the end of the fiscal year, it shall be allocated for provisions of reserves according to the relevant regulations, and the distributable earnings shall be allocated by the Board of Directors at 2% for the remuneration of directors and supervisors and 8% for the employees' in accordance to the Articles of Incorporation. In 2022, the final accounts amounted to NT\$129,011,515 in after-tax profit. The earnings appropriation table was approved at the 5th meeting of the 15th Board of Directors, pending for approval by the shareholders' meeting. The cash remuneration to employees is NT\$14,026,332 and the remuneration to directors and supervisors is NT\$3,506,583. The remuneration to the President, Vice Presidents, and AVPs includes salaries, year-end bonus, construction bonus, and employee remuneration, and is determined based on his/her position and level of responsibilities with reference to industry level, and it is to be submitted to the Remuneration Committee and the Board of Directors for review.

Employee remuneration, including salaries, bonuses, and employee remuneration, is determined by the Board of Directors based on the salary level of the position in the industry, the scope of power and responsibility of the position in the company, and the employee's contribution to the company's operating goals. The procedures for determining remuneration are in accordance with the Articles of Incorporation and the authority to approve, the payment of remuneration also takes into account the business risks faced by the Company in the future and the positive correlation between them and business performance, in order to achieve a balance between sustainable operation and risk control.

III. Implementation of corporate governance

- (I) Operation of the Board of Directors: The 14th and 15th Term of the Board of Directors of the Company convened meetings for 6 times (A) in the most recent year (Audit Committee was established on June 24, 2022), the attendance or non-voting participation of directors in the Board of Directors and Audit Committee meetings are as follows:

Job title	Name	Number of times for the actual attendance (or non-voting participation) B	Attendance by proxy	Actual attendance (or non- voting participation) rate (%) 【 B/A 】	Remarks
Director	Hung, Chen-Pan	6	0	100%	Re-elected (Note 1)
Chairman	Hong Chien-Fong	6	0	100%	Re-elected (Note 1) Inaugurated as Chairman on June 24, 2022
Director	Chang Ming-Chan	6	0	100%	Re-elected (Note 1)
Director	Chee-Lee Lai	6	0	100%	Re-elected (Note 1)
Director	Chang, Pang-Yen	5	1	83.3%	Re-elected (Note 1)
Director	Shu-Hua Chang	4	0	100%	Inaugurated June 24, 2022. (Note 1)
Director	Yung-Hsing Tsai	0	2	0%	Resigned on June 24, 2022 (Note 1)
Director	Shu-Fen Liao	2	0	100%	Resigned on June 24, 2022 (Note 1)

Independent Director (Audit Committee)	Hui-You Hsu	6	0	100%	Re-elected (Note)
Independent Director (Audit Committee)	Jung-Hui, Liang	4	0	100%	Inaugurated June 24, 2022. (Note 1)
Independent Director (Audit Committee)	Mao-Sheng Liang	4	0	100%	Inaugurated June 24, 2022. (Note 1)

Note 1: The re-election of the 15th board of directors was completed at the Shareholders' Annual General Meeting on June 24, 2022, with a term of office from June 24, 2022 to June 23, 2025.

Note 2: The actual attendance (or non-voting participation) rate of directors was calculated based on the number of Board of Directors meetings held during the current term and the number of meetings attended by the directors.

(II) The operations of the Audit Committee or the supervisors' participation in the operations of the Board of Directors:

1. Information on the operation of the Audit Committee: The attendance rates of the Company's Audit Committee and Remuneration Committee are both 100%.

2. Supervisors' and Audit Committee members' participation in the operation of the Board of Directors:

The Company's 14th and 15th term Board of Directors held 7 meetings (A) in the most recent year (2022). The attendance of supervisors and Audit Committee members is as follows:

Job title	Name	Number of times for the actual attendance (or non-voting participation) B	Attendance by proxy	Actual attendance (or non-voting participation) rate (%) 【 B/A 】	Remarks
Supervisors	Bi-Chuan Chen	2	0	100%	None
Supervisors	Dun-Jen Cheng	1	1	50%	None
Supervisors	Shu-Ming Chang	2	0	100%	None
Audit Committee member	Hui-You Hsu	1	0	100%	None
Audit Committee member	Jung-Hui, Liang	1	0	100%	None
Audit Committee member	Ming-Chun Lin	1	0	100%	None

Additional information:

The composition and responsibilities of supervisors:

The Company currently has three supervisors, who regularly attend the Board of Directors meeting and participate in the discussion of major resolutions.

(I) Communication between supervisors and the Company's employees and shareholders: The Company's supervisors may learn about the Company's implementation through the audit report provided by the Board of Directors and the auditor, or by accessing the Company's financial and business information at any time, and may request relevant units to make reports. The Company's employees, shareholders, stakeholders, and major shareholders may contact the Company's supervisors by correspondences or e-mail.

(2) Communication between supervisors and the chief internal auditor:

1. The chief internal auditor shall submit the audit report to supervisors before the end of the following month after the completion of the audit report. Supervisors shall express opinions when they sign off on the audit report.
2. The chief internal auditor attends the Board of Directors meetings on a regular basis and gives audit reports. Supervisors and directors discuss and exchange opinions on the audit items.
3. CPAs attend the Board of Directors meeting as non-voting participants for in-person communication with the supervisors and directors on the financial status of the company.

II. If the supervisors attend the board meeting to express their opinions, it is necessary to describe the date of the board meeting, session, content of motions, the resolution of the board meeting, and the Company's response to the opinions expressed by the supervisors: None.

III. The Company has appointed an Audit Committee since June 24, 2022 during the shareholders' annual general meeting, ending the supervisor system at the end of the supervisors' term of office.

Note: The actual attendance (or non-voting participation) rate of directors and supervisors was calculated based on the number of Board of Directors meetings held during the current term and the number of meetings attended by the directors.

(III) Information on the operation of the Remuneration Committee:

1. Information on members of the Remuneration Committee

Title	Criteria Name	Professional qualifications and experience	Independence status	Number of other public companies where the individual serves as a member of the remuneration committee concurrently
Independent Director (Convener)	Hui-You Hsu	Please refer to page 20 for information on the directors' professional qualifications and independence.		1
Independent Director	Chung-Wei Chang (Note)	Please refer to page 20 for information on the directors' professional qualifications and independence.		0
Director	Hung, Chen-Pan (Non-voting right)	Please refer to page 19 for information on the directors' professional qualifications and independence.		0
Others	Ming-Tung Lin	Economics degree, Soochow University; served successively as Executive Specialist of Legal Affairs Office of Formosa Plastics Affiliated General Administration Division; Consultant of Legal Affairs Office of Formosa Plastics Affiliated General Administration Division; possesses work experience in commerce, legal affairs, finance, and operational management capabilities required by the Company.	<ol style="list-style-type: none"> None of themselves, spouse, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or any of the Company's affiliated companies. The director/supervisor, his/her spouse, and relatives within the second degree of kinship neither own any shares of the Company under their own names nor in the names of others. The director/supervisor is not a director, supervisor, or employee of a company specifically related to the Company. The director/supervisor does not have any business, legal, financial or accounting service provided to the Company or any of its affiliated companies in the last 2 years for any reward. 	1
Others	Ming-Chun Lin (Note)	He graduated from National Taiwan University with a law degree and has served successively as Prosecutor of Hsinchu-Taoyuan-Taipei District Prosecutor's Office, Head of Chief Division of Taoyuan District Court, Chief Judge of Taiwan High Court, Independent Director of IBT Securities Co., Ltd., Licensed lawyer of Louis Law Firm; Possesses management skills and other work experience required for the Company's business activities.	<ol style="list-style-type: none"> The director/supervisor, his/her spouse, or relatives within the second degree of kinship do not serve as directors, supervisors, or employees of the Company or any of the Company's affiliated companies. The director/supervisor, his/her spouse, and relatives within the second degree of kinship neither own any shares of the Company under their own names nor in the names of others. The director/supervisor is not a director, supervisor, or employee of a company specifically related to the Company. The director/supervisor does not have any business, legal, financial or accounting service provided to the Company or any of its affiliated companies in the last 2 years for any reward. 	1

Note: Mr. Chung-Wei Chang resigned on November 30, 2021. On December 20, 2021, the Board of Directors agreed to make a new appointment.

2. Information on the operation of the Remuneration Committee

I. There are three members in the Remuneration Committee.

II. The term of office of the current members: June 24, 2019 to June 23, 2022. The Remuneration Committee held 4 meetings in the most recent year (2021 and 2022 as of May 9), and the qualifications and attendance of members are as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Attendance (%) (B/A)	Remarks
Convener	Hui-You Hsu	3	1	75%	None
Committee member	Chung-Wei Chang (previously elected)	1	0	100%	Resigned on November 30, 2021
Committee member	Ming-Tung Lin	4	0	100%	None
Committee member	Ming-Chun Lin (newly elected)	2	0	100%	Newly appointed on December 20, 2021
Non-voting participation	Hung, Chen-Pan	4	0	100%	None
Additional information:					

1. Duties of the Remuneration Committee

Members of the Committee shall exercise the care of good administrators, faithfully perform the following functions and powers, be accountable to the Board of Directors, and submit their suggestions to the Board of Directors for discussion: (1) Formulate and regularly review the performance evaluation of directors and managers and the remuneration policies, systems, standards, and structures for them. (2) Periodically evaluate and prescribe the remuneration of directors and executive officers.

2. If the Board of Directors did not adopt or amend the Remuneration Committee's suggestions, the date of the board meeting, the session, the content of the proposal, the results of the resolutions by the Board of Directors, and the Company's response to said opinions shall be specified (if the remuneration approved by the Board of Directors is better than the Remuneration Committee's suggestions, the difference and the reasons therefor shall be specified): None.

3. For proposals resolved by the Remuneration Committee, if any members expressed objection or reservation with a record or written statement, the date of the Remuneration Committee meeting, the session, the content of the proposal, all members' opinions, and the response to the members' opinions shall be specified: None.

(IV) Information on the members of the Nomination Committee and the operation status: The Company has not yet set up a Nomination Committee, but the members of the Board of Directors nominate suitable candidates and the entire Board of Directors has passed the vote.

(V) The operations of corporate governance and the deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
1. Has the Company formulated and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	◎		Since its inception, the Company has been adhering to the principle of respecting and caring for people with excellent corporate governance systems, transparency in operations, and attention to shareholders' interests. The Corporate Governance Best Practice Principles have been approved by the Board of Directors. The Company was ahead of its industry peers in establishing a comprehensive corporate governance structure and related policies and internal regulations. The entire Board members come with various professional backgrounds and experiences. It is believed that the Company's emphasis on professional management and implementation for its governance philosophy could bring about operations performance. The Company has won numerous awards from the industry and the government at home and abroad.	None
2. The Company's shareholding structure and shareholders' equity				
(I) Has the Company formulated internal operating procedures for handling shareholders' suggestions or questions or disputes and litigation with them and complied with the procedures?	◎		(I) The Company appoints a spokesperson to be responsible for stock affairs in accordance with its internal procedures. The President's Office is responsible to handle shareholders' suggestions and doubts. If there are legal questions, the matter will be transferred to the company's legal consultants according to the procedures.	(I) None
(II) Does the Company have a list of the major shareholders with ultimate control over the Company and a list of the ultimate controllers of the major shareholders?	◎		(II) The Company has a list of the Company's major shareholders and their controllers.	(II) None
(III) Has the Company established and implemented a risk control and a firewall mechanism between itself and affiliates?	◎		(III) The Company has stipulated the "Finance and Business Operating Rules with Group Enterprises/Specified Companies/Related Persons" and "Regulations on the Monitoring and Control of Subsidiaries" and conducted activities in compliance to these regulations as a company's mechanism for risk control and firewall.	(III) None
(IV) Has the Company formulated internal regulations to prohibit insiders from using information undisclosed in the market to buy and sell securities?	◎		(IV) The Company has established the "Material Inside Information Handling Procedures and Prevention Measures" to regulate all employees. It prohibits any conduct that may involve insider trading, and conducts internal education, training and advocacy on a regular basis.	(IV) None
3. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors have a diversity policy formulated, with specific management goals and guidelines, and their implementation?	◎		(I) The nomination of the Company's directors has gone through a rigorous selection process, which not only considers diverse backgrounds, professional abilities and experiences, but also attaches great importance to their personal reputation for ethical behavior and leadership. There are currently nine members of the Board of Directors and three supervisors of the Company, all of whom have experience in the Company's operational or professional fields. The Company's board members have	(I) None

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
(II) Has the Company voluntarily established other functional committees in addition to the remuneration and the audit committees established in accordance with the law?	◎		diverse backgrounds, including different industry, academic, and legal professional backgrounds, including two female directors and supervisors. The number of independent directors is two. (II) The Company established the Remuneration Committee in accordance with the law in 2012. The Audit Committee was re-elected after the term of the Board of Directors expired at the general shareholders' meeting in June 2022.	(II) None
(III) Has the Company formulated board performance evaluation regulations and evaluation methods, conducted performance evaluations annually and regularly, reported the results of performance evaluations to the board of directors, and adopted such results as a reference for deciding the remuneration of and nominating candidates for individual directors?	◎		(III) The Company has established the Regulations and Evaluation Methods for the Performance of the Board of Directors. In addition to conducting the performance evaluation of the Board of Directors internally on a regular basis each year, the performance evaluation of the Board of Directors is also entrusted to an external evaluation organization in March of 2022.	(III) None
(IV) Does the Company regularly assess the independence of the CPAs?	◎		(IV) Pursuant to the Corporate Governance Best Practice Principles of the Company, the Board of Directors currently assesses the independence of the CPAs on a regular basis every year, and the CPAs are not related parties of the Company and it has been certified that they are independent. Evaluation procedures: (1) Obtained the "Declaration of Independence of CPA" from CPAs in 2021. (2) The CPAs engaged during the Company's internal self-assessment did not serve as a director or supervisor, nor was it a shareholder, nor was any salary received from the Company, and was not a stakeholder to the Company. (3) Evaluating the independence of CPAs for discussion by the Board of Directors and assessment on a yearly basis. (4) All of the above have been approved by the Board of Directors.	(IV) None
IV. Has the Company has appointed an appropriate number of competent corporate governance personnel and designated a corporate governance officer to be responsible for corporate governance affairs (including but not limited to providing directors and supervisors with the materials required for performance of their duties, assisting directors and supervisors with compliance, handling matters related to board meetings and the shareholders' meetings, and preparing minutes of board meetings and shareholders' meetings)?	◎		The Board of Directors appoints the Chairman to assign the General Management Office and the President's Office to be responsible for the legal affairs and compliance of the Company, and report to the Board of Directors on related corporate governance affairs, including matters related to convening meetings of the Board, Remuneration Committee and shareholders. It is responsible in supporting the inauguration and continuing education of directors; providing directors with the materials needed to execute their duties; assisting directors in complying with laws and regulations.	None

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
V. Has the Company has established communication channels with stakeholders and set up a section dedicated to stakeholders on the Company's website to properly respond to stakeholders' major CSR issues of concern?	⊙		Depending on the situation, the Company instructs its finance, stock affairs, customer service, and procurement departments to communicate with stakeholders, and has a stakeholder section on the Company's website to properly respond to stakeholders' concerns, including corporate social responsibilities and related issues.	None
VI. Does the Company appoint a professional stock affairs agency to handle the affairs related to shareholders' meetings?	⊙		The Company has appointed the Share Registration Agency Department of Fubon Securities Co., Ltd. to handle the affairs of the Shareholders' Meeting.	None
VIII. Information disclosures (I) Has the Company set up a website to disclose information on financial business and corporate governance? (II) Does the Company adopt other methods to disclose information (such as setting up an English website, designating personnel to collect and disclose company information, implementing a spokesperson system, or placing the proceeding of investor conferences on the Company website)? (III) Does the Company announce and submit an annual financial report to the competent authority within two months after the end of each fiscal year and announce and submit the financial reports for the first, second, and third quarters and the operations of each month to the competent authority before a specified deadline?	⊙ ⊙ ⊙		(I) The Company has disclosed financial, business, and corporate governance information through the Company's website: www.kpec.com.tw. (II) The Company has established a spokesperson system, and the Shareholder Affairs Division and other relevant units have designated the spokesperson to collect information at any time, and disclose the Company's information on the Market Observation Post System and on the Company's website or during investor conferences. (III) The Company shall, in accordance with Paragraph 1 Article 36 of the Securities and Exchange Act, publish and declare the annual financial report that has been audited and verified by the CPA and approved by the Board of Directors within three months after the end of each fiscal year; Within 45 days after the end of the first, second, and third quarters of a fiscal year, the financial statements reviewed by the CPAs and reported to the Board of Directors; and before the 10th day of each month, announce and file the monthly operations status.	(I) None (II) None (III) The Company shall proceed with the transaction in accordance with the Securities and Exchange Act.
VIII. Does the Company have other important information that facilitates the understanding of the operations of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the implementation of risk management policies and risk measurement standards, the implementation of client policies, and the Company's purchase of directors and supervisors liability insurance)?	⊙ ⊙ ⊙ ⊙		(I) Employees' rights and interests: The Company protects the legitimate rights and interests of its employees in good faith and in accordance with the Labor Standards Act. (II) Employee care: The Employee Welfare Committee provides employees with a substantial and stable welfare system. Health checkups and educational training are also arranged every year to take care of employees' mind, body, and spirit, and to build good relationship of mutual trust and dependence with employees. (III) Investor and supplier relations: The Company has established and maintained the Company's website so that investors and suppliers can better understand the Company's situation. The Company has also created a dedicated mailbox for handling suggestions and answer questions in a timely manner. (IV) The rights of stakeholders: The Company has appointed a spokesperson and an acting	(I) None (II) None (III) None (IV) None

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
	◎		spokesperson to allow stakeholders to communicate and make suggestions at any time in order to protect their legitimate rights and interests.	(V) None
	◎		(V) Continuing education for directors and supervisors: In order to keep up with international trends, the Company arranges professionals to conduct continuing education for directors and supervisors and obtain relevant certifications every year.	(VI) None
	◎		(VI) Implementation of risk management policies and risk measurement standards: The Company conducts various risk management and evaluations in accordance with the various internal regulations established by the Company as the basis for implementation.	(VII) None
	◎		(VII) Implementation of customer policy: The Company maintains a stable and good relationship with customers to achieve a win-win and harmonious situation.	(VIII) None
	◎		(VIII) The Company has purchased liability insurance from Chung Kuo Insurance Co., Ltd. for its the directors, supervisors and managerial officers.	
IX. Please specify any improvements made as per the results of the corporate governance evaluation announced by the Corporate Governance Center, Taiwan Stock Exchange Corporation, in the most recent year and put forth prioritized measures to improve those that have not yet improved:	◎		The Company prepares a corporate governance self-evaluation report at the end of each year, and the audit unit evaluates the results and submits the report to the Board of Directors and Supervisors meeting. Improvements are tracked every quarter for the defects stated in the self-evaluation.	None

(VI) The promotion of sustainable development and the deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor:

Item	Status of execution (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the board of directors, which supervises the implementation?	☉		<p>(I) The Company established the "Corporate Social Responsibility Best Practice Principles" on May 10, 2016 to actively fulfill the commitment of social responsibility and to achieve the international trend of environmental sustainability, social and corporate governance development. In August 2020, the Board of Directors passed the corporate social responsibility promotion plan. In May 2023, the Board of Directors approved the renaming of the original "Corporate Social Responsibility Best Practice Principles" to the "Sustainable Development Best Practice Principles."</p> <p>(II) The Company's Board of Directors approved the appointment of a "Sustainable Development Committee" in August 2022. The Committee shall consist of a "Corporate Governance Working Group," "Environmental Protection Working Group," "Social Co-Prosperity Working Group" and "Sustainable Engineering Working Group" in pursuit of a complete management function for environment, social and corporate governance by the Company. The Chairman of the Board of Directors serves as the chairperson of the committee. The Head of General Management Division serves as the Executive Secretary. They are responsible for promoting sustainable development. The progress of sustainable development is discussed in the executive meeting every year, and the implementation status is reported to the Board of Directors every six months. In addition, the Board of Directors approved the "Sustainable Development Committee Charter" in May 2023 to fulfill the corporate social responsibility as a corporate citizen connecting with international trends and actively response to the stakeholders in the risk assessment and countermeasures towards environment, social and corporate governance aspects to achieve the goals of sustainable development. The Company plans to implement the "Preparation of Sustainability Report and Development of Sustainability Strategy Blueprint" in July 2023.</p>	None.
II. Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to company operations as per the principle of materiality? Has the Company formulated relevant risk management policies or strategies? (Note 2)	☉		<p>(I) The Company's Board of Directors approved the establishment of the "Corporate Sustainability Committee" in August 2022. The risk assessment boundary is mainly set as the head office and does not include subsidiaries so far. The Company plans to implement the "Compilation of Sustainability Reports and Development of Sustainability Strategy" in July 2023. Based on the GRI Standards and the AA 1000 Stakeholder Engagement Standard, the Company applies the four principles of Identification, Analysis, Confirmation, and Inspection to identify material issues in the three aspects of environmental, social, and corporate governance, and formulates related risk management policies or strategies as follows:</p>	None.

Item	Status of execution (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>(1) Environmental: The Company started to adopt the Task Force on Climate-Related Financial Disclosures (TCFD) framework to construct the Company's climate risk identification process this year, and conducts regular inventory of greenhouse gas (GHG) according to ISO 14064-1 to inspect the impacts to the company's operations. Constant research and development of green energy-saving engineering technology strategy is conducted with the aim to build carbon inventory, carbon footprint, and carbon reduction capabilities, guiding enterprises to comprehensively identify greenhouse gas impacts, and achieve carbon reduction performance.</p> <p>(2) Social aspects: Occupational health and safety management issues are regularly assessed, and the ISO 14001 environmental management system and ISO 45001 occupational safety and health certification have been used to integrate environmental issues and occupational safety and health management into one safety and environmental management system that is integrated into the company as a whole, maintaining comprehensive risk management through daily operations.</p> <p>(3) Corporate governance aspect: The Company will strengthen the operation of the Board of Directors, implement ethical management, ensure that all employees of the Company comply with relevant laws and regulations, and create a sound corporate governance culture in accordance with the "Corporate Governance Best Practice Principles." In addition, the Company has also strengthened the management of information security risks, and formulated relevant information security and confidential information protection policies, and implemented firewalls, information security equipment, anti-virus software and other information security-related protection measures. The filing of the "Information Security Management and Personnel" has been completed in December 2022.</p>	
III. Environmental issues				
(I) Has the Company set up an appropriate environmental management system as per its industrial characteristics?	◎		(I) The Company obtained the ISO 9001:2015 quality management certification in 1999; established the Occupational Safety Committee in January 2020 to effectively prevent occupational disasters and protect the health and safety of employees; ISO 14001:2015 environmental management system and ISO 45001:2018 occupational safety and health certification were obtained in December 2021, and the Company regularly reviews and improves the implementation of related operations.	(I) None.
(II) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?	◎		(II) The Company actively assists customers in building energy management systems and promoting smart factories; E3D and BIM 3D modeling is	(II) None.

Item	Status of execution (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
			used in the design stage for collision verification, precision material inspection, pipeline prefabrication, and to raise the construction efficiency to reduce waste of construction materials, selecting highly efficient electric equipment (e.g. amorphous transformer) and increase the noise prevention measures. In terms of daily affairs, the Company's main internal measures to continuously promote energy conservation and carbon reduction are as follows: (1) upgrade and maintain or replace the old, energy-consuming or malfunctioning air conditioners; (2) replace lighting for adopting energy-saving LED lighting and enhancing promotional materials; (3) saving energy by turning on/off air-conditioning at specific times, time regulation, and temperature control; enhancing promotional materials; (4) adopting double-sided printing on paper, using recycled paper, and controlling usage; (5) Recycling refers to the sorting and recycling of waste in office buildings; (6) other management such as replacing inverter-type home appliances, shutting down computer equipment and home appliances, and strengthening publicity; (7) for construction sites, controlling the temperature and time of air-conditioning, alternating use of air-conditioning and fans, natural lighting, and environmental protection and energy-saving home appliances to save energy; (8) official vehicles are switching from fuel-powered to electricity vehicles; (9) Introduce ERP system to promote comprehensive e-operation.	
(III) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	◎		(III) In order to respond to the challenge of climate change in advance, the Company plans to start the implementation of "Compilation of Sustainability Report and Development of Sustainability Strategy Blueprint" from July 2023. The Corporate Sustainability Committee is the highest body on climate change, with the company Chairman as the Committee Chair, and the Chief Administrative Officer of the General Management Division as the Executive Secretary. Starting from this year, the Company has assessed the risks and opportunities of climate change to the Company in accordance with the framework of the TCFD recommendation published by the Financial Stability Board (FSB), and regularly reviews the Company's climate change strategies and goals, and management of climate change risks and opportunities actions and the implementation status, discusses future plans, and report to the Board of Directors.	(III) None.
(4) Has the Company counted the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and formulated policies on greenhouse gas reduction, water consumption reduction, or other waste management?	◎		(IV) The Company's office buildings in the Neihu Science Park have no air pollution/sewage waste emissions and greenhouse gas emissions issues that derived from the manufacturing industry. The Company has reviewed the overall electricity usage of contract capacity, and significant cost savings have occurred. In addition, the Company	(IV) None.

Item	Status of execution (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
			submitted the parent company's greenhouse gas inventory and verification schedule to the Board of Directors in August 2022, and started the "greenhouse gas inventory and verification schedule" in March 2023. The Company reports to the Board of Directors on a quarterly basis to continuously control the completion of greenhouse gas inventory and verification disclosure schedule. Fulfilling our environmental responsibilities and popularizing environmental awareness is our sustainable environmental management policy, and we are committed to reducing the environmental footprint of our operations. At the same time, we use our core expertise in design and planning to assist clients in the promotion and implementation of energy conservation, carbon reduction, zero-carbon emissions, and ESG corporate sustainability.	
IV. Social issues				
(I) Does the Company formulate relevant management policies and procedures in accordance with applicable laws and the International Bill of Human Rights?	◎		(I) The Company respects and protects the basic human rights of all employees, customers, and stakeholders committed to the philosophy of corporate sustainable development, in compliance with the principles stated in the international conventions, namely, the United Nations Universal Declaration of Human Rights, United Nations Guiding Principles on Business and Human Rights, The United Nations Global Compact, and International Labor Organization. These principles cover the topics, such as, freedom of association, concern for disadvantaged groups, prohibition of child labor, elimination of all forms of forced labor, and elimination of employment discrimination; and the Company also complies with the labor-related laws and regulations in the place where the Company is located. The Company establishes the retirement policy in accordance with the Labor Standards Act, purchases group medical insurance for each employee, appoints an employee welfare committee and holds regular labor-management coordination meetings to protect the rights and interests of employees. The protection of the legal rights and interests of employees and the employment policies are adhered to for protecting the basic labor rights of employees.	(I) None.
(II) Has the Company formulated and implemented reasonable employee benefit measures (including remuneration, leave, and other benefits) and reflected business performance or achievements in employee remuneration appropriately?	◎		(II) The Company regularly reviews the market salary level, economic trends and individual potentials every year to make salary adjustments. Bonuses are also calculated based on the annual budget target achievement rate, the Company's annual operating performance and individual performance, in order to provide employees with reasonable remuneration. In terms of welfare planning, in addition to the statutory standards, the Company also offers more welfare systems that meet the needs of employees, such as multiple leave of absence without pay, group insurance, and professional trainings that are superior than the laws and regulations. The Company retained the assistance of	(II) None.

Item	Status of execution (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
(III) Does the Company provide employees with a safe and healthy work environment and offer safety and health education to employees regularly?	◎		<p>professional actuaries under the old pension system to protect employees' interests in claiming pensions in the future; whereas the pension contribution rate under the new system was 6%, the Company made full contribution to employees under the new pension system. Performance indicators, workplace, roles and responsibilities, ability development, and future potential are all included. The Employee Welfare Committee and labor-management meetings are convened on a regular basis, and an employee proposal and suggestion box is provided so that employees can raise various issues at any time and establish a positive relationship.</p> <p>(III) The Company complies with various occupational safety regulations and systems, and the occupational safety department is solely responsible for the planning, execution, and supervision of health management related operations and education and training. Through regular automatic inspections, safety and health education and drills necessary for disaster prevention, employees' awareness of the hazards of the work environment and their ability to respond to emergencies are enhanced. Various occupational safety management systems have been implemented to create a safe work environment.</p> <p>(1) The Company organizes the various trainings for new employees and in-service employees from time to time. They are the general safety and health education and training; prevention of illegal violence in the workplace; complaints and disciplinary measures for prevention of sexual harassment in the workplace; and health promotion propaganda (such as: COVID-19 epidemic-related epidemic prevention measures, influenza prevention, etc.).</p> <p>(2) In December 2022, promote on-site medical care services to assist employees in safer and appropriate work, avoid health hazards in the workplace or at work, implement personal health protection and health management, and create a healthy and friendly workplace environment.</p> <p>(3) The accumulated no hazards work hours from November 1, 2019 to February 28, 2023 were a total of 1,518,336 hours (average number of participants are 277 workers).</p> <p>(4) The Company has secured access and has passed regular government fire inspections to ensure a safe and healthy work environment for employees. In addition to the statutory labor and health insurance, employees are insured with group insurance and provided with a free health checkup once a year.</p>	(III) None.
(IV) Has the Company established an effective career development training program for employees?	◎		<p>(IV) The Company implements internal and external education and training in accordance with the annual education and training plan, and arranges various types of on-the-job training for employees, including</p>	(IV) None.

Item	Status of execution (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
(V) Does the Company comply with applicable laws and international standards regarding issues, such as customer health and safety, customer privacy, as well as marketing and labelling of products and services? Has it formulated relevant policies and complaint procedures to protect consumers' or customers' rights and interest?	⊙		(V) professional certification, professional skills, business management, general education, and self-inspiration. The Company is an engineering and technical service provider that provides customers with customized integrated services such as design, planning, and construction. The marketing and labeling of services are implemented in accordance with international norms and standards. In order to protect the confidential information of customers, confidentiality clauses are included in all contracts with customers and the related penalties to protect the rights and interests of customers, and we also provide a channel for customers to submit complaints, so that customers can have a better relationship with the company.	(V) None.
(VI) Has the Company formulated a supplier management policy, required suppliers to follow applicable regulations on issues, such as environmental protection, occupational safety and health, or labor rights? The implementation thereof? Disclosure of relevant and reliable CSR information?	⊙		(VI) The Company has always been committed to the sustainable development of the company, and has established the Supplier and Collaboration Management Regulations and related specifications to require all suppliers to cooperate. Hence, all of the suppliers are requested to sign the "Supplier Commitment on Environment, Health and Safety," and "Quality, Safety and Health Guidelines" and so forth. If there is a significant negative impact on the environment, safety, labor conditions, human rights, or society, the Company may advocate for the termination or rescission of the contract. In addition, if the supplier has passed the ISO 9001:2015 quality management system, ISO 14001:2015 environmental management system, ISO 45001:2018 occupational safety and health management system certification, or other relevant government certifications or quality certification issued by foreign governments, they will be listed as priority suppliers. The mutual influence between the upstream and downstream of the industrial chain is expected to promote the sustainability of the entire industrial chain and jointly commit to, abide by, and practice the sustainable operation of the enterprise.	(VI) None.
V. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company's non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?		⊙	The Company plans to execute the preparation of the "Sustainability Strategy Blueprint and Sustainability Report" in July 2023, and expects to complete the first draft of the Sustainability Report in 2024. The report will be prepared in accordance with the core options of the GRI Standards and the United Nations Sustainable Development Goals (SDGs). Risk management policies will also be formulated with reference to the GRI Supplementary Guidelines for the Financial Services Industry and the Best Practice Principles for Sustainable Development of TPEX-Listed Companies.	The preparation of the sustainability report and the obtaining of assurance opinions or confirmation from third-party verifiers are still under planning.

Item	Status of execution (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
VI.			Where the Company has formulated its own sustainable development code in accordance with the Sustainable Development Best Practice Principles, please specified the differences between the implementation and the principles: The Company follows the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" for self-defined operations complying with the requirements of the "Sustainable Development Best Practice Principles." The Company regularly reports the implementation status to the board of directors, reviews the implementation status, and makes improvements accordingly. No significant difference up till this date. The "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" will be revised based on the actual needs of the Company in the future.	
VII.			Other important information that facilitates the promotion of sustainable development: (I) Environmental protection In order to fulfill the social responsibility of protecting the global environment, the Company does not use environmentally-polluting substances in the production process, and the scrapped items are also processed by a recycling company. There is no impact on the environment. (II) Social welfare The Company makes donations for social welfare from time to time, uses its professional skills to help disadvantaged groups, and develops a corporate culture of charity. The annual limit is not more than NT\$300,000. The amount of investment for each project depends on the nature of the event. The accumulated amount is kept to within the aforementioned annual budget. Participate in various public welfare activities at home and abroad initiated, organized, and promoted by public welfare groups, such as: 1. Participated in the Rotary International Taiwan Association (an emergency fund-raising project for the hardest-hit areas affected by Typhoon RAI in the Philippines in 2021.12.16) by donating the cost of one fishing boat. 2. Sponsored the "Save Food Love Taiwan Society" related to the Rotary Club of Yangde in Taipei City, and supported its food-wise kitchen/cooking training and employment and free meal kit supply programs for disadvantaged groups. 3. The title sponsor was made to the Scholarship of Chung Hwa Rotary Education Foundation. The funds raised are used to award scholarships for outstanding young people in the domestic master's and doctoral courses. 4. Launched an NGO/EMERGENCY for Italy/Milan with Rotary Club of Taipei to help people suffering from the pandemic in Italy. 5. The charity operation of Hsiangyuan Memorial Reform School, a private institution in Taiwan, to provide care for the physically and mentally handicapped. 6. Title Scholarship Program with the Rotary Club of Taipei West District to subsidize Master's degree students. (III) Promotion of workplace health and safety at work. Concrete actions: Health promotion programs (e.g.: On-site medical attention, regular employee health interviews, employee health checkups, corporate baby-sitting programs, Welfare Committee badminton club) to improve work-life balance. (IV) Consumer rights In order to provide comprehensive services and protection to customers, the Company shall communicate with customers promptly and fully when they have complaints, in order to understand customers' needs and improve the interaction between the Company and customers. Improvements are reviewed and improved in irregular business meetings. (V) Human Rights, Safety and Health 1. Upholding the business philosophy of integrity, harmony, innovation, excellence, continuous growth, and sustainability, we attach great importance to employee benefits. We have established an Employee Welfare Committee to contribute monthly welfare funds. The Welfare Committee arranges activities such as various tourism activities, club activities, and welfare events. 2. Provide various welfare subsidies for weddings and funerals, scholarships and emergency assistance, annual health examinations, group life insurance and accident insurance. 3. In accordance with the Labor Standards Act, the Company has established a pension fund for employees. A certain percentage of the total monthly salaries and wages are deposited in a special account in Bank of Taiwan as a reserve fund for future pension payments.	

Note 1: If you select "Yes" for the implementation, please specify the important policies, strategies, measures and implementations; if you select "No," please explain the deviation and causes of deviation in the column for "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and explain the plans for adopting relevant policies, strategies and measures.

Note 2: The principle of materiality refers to the significant impacts arising from the environmental, social and corporate governance issues on the Company's investors and other stakeholders.

(VII) The Company's implementation of ethical management and any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor:

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
I. Formulation of ethical management policies and plans				
(I) Has the Company formulated an ethical management policy approved by the board of directors and disclosed the policy and practice of ethical management in its regulations and public documents? Are the board of directors and the senior management committed to actively implementing the policy?	◎		(I) The Company has incorporated the "Basics of Business Integrity" into the "Basics of Business Integrity" in accordance with the Company Act, the Securities and Exchange Act, the regulations governing TWSE/GTSM listing, or other laws and regulations governing business activities, and has separately established the "Regulations Governing the Financial and Business Operations for Transactions with Group Enterprises and Specified Companies" and "Rules of Procedure for Board of Directors Meetings." These regulations stipulate that for the directors and managers with conflicts of interests with the company, they shall have the self-discipline and abide by the principles of good faith, building a corporate culture of integrity.	(I) None
(II) Has the Company established an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities with a higher risk of unethical conduct within the business scope and formulated a prevention plan accordingly, at least covering the prevention measures for the acts under each subparagraph under Article 7, paragraph 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	◎		(II) The Company organizes education, training, and advocacy for directors, supervisors, managers, employees, and parties of de facto control on a regular basis, and invites counterparties engaged in business activities with the Company to participate so that they can fully understand the requirements of the Company's ethical corporate management and its determination, policies, prevention plans, and consequences of unethical practices.	(II) None
(III) Has the Company clearly specified operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the Company regularly review and revise said plan?	◎		(III) No director, supervisor, manager, employee, party with de facto control, or other interested party of the Company shall directly or indirectly offer, promise, request or accept any improper benefits, or other unethical behaviors such as violation of integrity, illegality, or breach of fiduciary obligations, they shall be punished with reprimand or demerit or dismissal depending on the circumstances. Prevention is enhanced through strengthening the company's internal control system.	(III) None
II. Implementation of ethical management				
(I) Does the Company evaluate each counterparty's records for ethics? Has the Company specified the terms of ethical conduct in each contract signed with each counterparty?	◎		(I) Before engaging in commercial activities, the Company will check whether the counterparty has any dishonest record (such as Check Credit Inquiry, default records) before trading, and prevent transactions or contracts with parties with a record of unethical behavior. The contract may be terminated or rescinded at any time if the counterparty is found to be involved in unethical conduct.	(I) None
(II) Has the Company established a dedicated (concurrent) unit under the board of directors to conduct ethical corporate management, regularly (at least once a year) report to the board of directors on its ethical management policies and prevention plans for unethical conduct, and supervise the implementation?	◎		(II) In order to improve ethical corporate management of the Company, the relevant management departments are responsible for the formulation of ethical corporate management policies and preventive plans, and the implementation of which is supervised by audits. The implementation status is summarized and reported	(II) None

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
(III) Has the Company formulated policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?	◎		to the Board of Directors from time to time. The Company has dedicated personnel in charge of legal compliance to conduct regular inspections to ensure that all operations and management rules are updated in a timely manner in compliance with relevant laws and regulations, so that all operating activities comply with laws and regulations, in order to maintain the integrity of the Company, and they report to the Board of Directors regularly. (III) The Company has established guidelines for management, in which all stakeholders shall recuse themselves from matters of conflicting interests, and shall not take advantage of their positions in the Company to obtain any illicit benefits. Those who have personal interest or the interest of the juridical person they represent involved in the proposals on the agenda of the board meetings, which may be detrimental to the Company's interest, may state their opinions and answer questions and shall recuse themselves from the discussion and voting on a given proposal, and shall not act as a proxy for other directors exercising voting rights on their behalves.	(III) None
(IV) Has the Company has established an effective accounting system and an internal control system for the implementation of ethical management and assigned the internal audit unit to formulate relevant audit plans based on the assessment results of the risk of unethical conduct and audit the compliance with the unethical conduct prevention plan accordingly or commissioned a CPA to perform such audits?	◎		(IV) The Company's accounting system is determined in accordance with the relevant TWSE/GTSM regulations and other relevant laws and regulations, and is determined in accordance with the nature of the accounting affairs, the actual business conditions, and the development and management needs. In terms of internal control, related tasks have been clearly defined. Different departments are used to check and coordinate with each other; all operations are handled in accordance with the Company's internal regulations and external regulations. Operation processes are complied with, the related authority and responsibilities are clarified, and self-audit of each unit and the internal audit by the audit unit are conducted to achieve the purpose of internal control.	(IV) None
(V) Does the Company regularly hold internal and external education and training on ethical management?	◎		(V) The Company has included issues related to ethical management in the orientation for new recruits and on-the-job training for current employees.	(V) None
III. Implementation of the Company's whistleblowing system				
(I) Has the Company formulated a specific whistleblowing and reward system, established a convenient whistleblowing method, and assigned appropriate personnel to handle the party accused?	◎		(I) The Company has set up a report and grievance window to handle any complaints. The Human Resources Department will report the violation of ethical corporate management by any personnel to the Personnel Review Committee for review and approval, and to determine the punishment according to the regulations.	(I) None
(II) Has the Company formulated standard operating procedures for investigation of reported cases, the follow-up measures to be taken after	◎		(II) The Company has established the "Ethical Corporate Management Best Practice Principles." The Company's standard operating	(II) None

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
the investigation is completed, and a confidentiality mechanism?			procedures for the investigation of reported matters are as follows: (1) The Company has set up a report and grievance window specifically for handling employees' reports on internal and external parties' illegal (including corruption) and unethical behaviors. The identity of the informants and the content of the report will be kept confidential. (2) The Human Resources Dept. reports the case to the Personnel Review Committee for review, approval and punishment according to the regulations.	
(III) Does the Company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?	◎		(III) The Company shall adopt measures to protect whistleblowers from undue treatment as a result of their whistleblowing.	(III) None
IV. Enhanced information disclosure Has the Company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?	◎		The website address of the Company is: http://www.kpec.com.tw ; The Company has disclosed the information related to ethical management on the website. The Company has a spokesperson system in place as a bridge for information collection and disclosure and external communication, and discloses the implementation of the Ethical Corporate Management Best Practice Principles on the Company's website, annual reports and the prospectus.	None
V. If the Company has formulated its own Corporate Governance Best Practice Principles as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operation and the principles: None.				
VI. Other important information that facilitates the understanding of the Company's ethical management: (e.g., reviewing and amending the Company's corporate governance best practice principles): None.				

- (VIII) If the Company has established corporate governance best practice principles and related rules and regulations, the methods for inquiring about them shall be disclosed: The Company shall disclose the information on MOPS and in annual reports of the Company in accordance with the "Regulations Governing Information to be Published in Annual Reports of Public Companies" for external inquiries.
- (IX) Other material information that is helpful for understanding the Company's corporate governance may be disclosed: None.
- (X) Matters to be disclosed regarding the implementation of the internal control system:
1. Internal Control Statement: Please refer to page 48.
 2. For those who appointed a CPA to review the internal control system, the CPA's review report shall be disclosed: None.

KING POLYTECHNIC ENGINEERING CO., LTD.
Statement of the Internal Control System

Date: March 13, 2023

The Company's internal control system for 2022 as per the results of our self-assessment is hereby declared as follows:

1. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system are the responsibility of the Company's Board of Directors and managers, and the Company has established such a system. It aims to provide reasonable assurance for the achievement of the objectives, namely the effectiveness and efficiency of operations (including profitability, performance, and asset security protection), the reliability, timeliness, and transparency of financial reporting, and compliance with applicable laws and regulations.
2. Some limitations are inherent in all internal control systems. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance regarding the achievement of the above three intended objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
3. The Company judges whether the design and implementation of the internal control system is effective based on the criteria for judging the effectiveness of the internal control system set out in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). Said criteria under the Regulations are divided into five constituent elements as per the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent element includes several items. For said items, please refer to the Regulations.
4. The Company has adopted the aforesaid judgment criteria for the internal control system to determine whether the design and implementation of the internal control system are effective.
5. Based on the results of the assessment in the preceding paragraph, the Company is of the opinion that, as of December 31, 2021, the internal control system (including the supervision and management of its subsidiaries), including the understanding the effectiveness of operations and the extent to which efficiency targets are achieved, reliable, timely, and transparent reporting, and compliance with applicable rules and applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing objectives.
6. This statement will form the main content of the Company's annual report and prospectus and will be made public. If the disclosed content above is false or there is material information concealed deliberately or otherwise, the Company will be legally liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been approved by the Company's Board of Directors on March 13, 2023. Among the nine directors present, none of them expressed objections. All the others agreed with the content of this statement. Therefore, this statement is hereby declared.

KING POLYTECHNIC ENGINEERING CO., LTD.

Chairman: Chien-Feng Hung

President: Ming-Tsan Chang

- (XI) Penalties imposed against the Company and its internal personnel in accordance with the law, or penalties for violations of internal control regulations imposed by the Company in the most recent year up till the publication date of the annual report, major deficiencies, and improvements made : None.
- (XII) Important resolutions by the shareholders' meeting and the Board of Directors in the most recent year and up to the publication date of the annual report:

(1) Important resolutions by the 2022 general shareholders' meeting and implementation:

The Company's 2022 shareholders' annual general meeting was held on June 24, 2022 at No. 2-1, Jinan Road, Sec. 1, Taipei City (NTU Alumni Association). The motions passed by shareholders' resolution and their implementation status are as follows:

I. Proposed Resolutions

1. 2021 Annual Business Report and Financial Statements.

Implementation: The 2020 business report and financial statements were approved. Consolidated revenue for the year was NT\$1,795,993 thousand, profit after tax was NT\$55,739 thousand, and earnings per share were NT\$0.79.

2. The 2021 Proposal for the appropriation of earnings.

Implementation status: The 2021 proposal for the appropriation of earnings of the Company had been resolved in the 17th meeting of the 14th Board of Directors, and was also approved in the 2022 Shareholders' Annual General Meeting, and the implementation was completed.

II. Items for discussion

1. New share issue through capitalization of retained earnings.

Implementation: The proposal was approved as proposed and announced on the Market Observation Post System (MOPS) and the Company's website as required.

2. Proposal for amending some articles of the "Articles of Incorporation."

Implementation: The proposal was approved as proposed and announced on the Market Observation Post System (MOPS) and the Company's website as required.

3. Proposal for amending some articles of the "Rules of Procedures for Shareholders' Meeting."

Implementation: The proposal was approved as proposed and announced on the Market Observation Post System (MOPS) and the Company's website as required.

4. Proposal for amending some articles of the "Procedures for Election of Directors."

Implementation: The proposal was approved as proposed and announced on the Market Observation Post System (MOPS) and the Company's website as required.

5. Amendment to some of the articles of the "Procedures for Lending Funds to Other Parties."

Implementation: The proposal was approved as proposed and announced on the Market Observation Post System (MOPS) and the Company's website as required.

6. Proposal for amending some articles of the "Procedures for Endorsements and Guarantees."

Implementation: The proposal was approved as proposed and announced on the Market Observation Post System (MOPS) and the Company's website as required.

7. Amendment to some of the articles of the "Procedures for the Acquisition or Disposal of Assets."

Implementation: The proposal was approved as proposed and announced on the Market Observation Post System (MOPS) and the Company's website as required.

III. Election

The re-election of the 15th Term's directors and independent directors took place during this shareholders annual general meeting. There are six directors and three independent directors elected from the candidates list by the attending and proxy shareholders. The Audit Committee was also appointed at the AGM to replace the supervisor system. The Audit Committee is formed by the newly-elected independent directors. The new directors and independent directors took office from the date of election, with a term of three years from June 24, 2022 to June 23, 2025.

IV. Other proposals

1. Lifting the non-compete restrictions on the newly elected directors during this shareholders' annual general meeting.

Implementation: The proposal was approved as proposed and announced on the Market Observation Post System (MOPS) and the Company's website as required.

(2) Major resolutions of the Board of Directors

Serial No.	Types of meeting (Board of Directors/Shareholders' Meeting)	Date of meeting	Important resolutions
1	14th Term 17th Meeting	2022.3.14	<ol style="list-style-type: none"> 1. The Company's 2021 standalone and consolidated financial statements. 2. The Company's Business Report, including 2021 Business Report and 2022 Business Plan. 3. The "Internal Control Statement" of the Company. 4. The Company's 2021 proposal for appropriation of earnings. 5. The Company's 2021 new share issue through capitalization of retained earnings. 6. 2021 distribution of remuneration to employees and directors/supervisors (proposed by the Remuneration Committee). 7. The convening time, venue and motion contents for the 2022 shareholders' annual general meeting, shareholders' proposals and venue for proposal acceptance. 8. The term of office of the 14th term of incumbent directors, independent directors and supervisors will expire soon. Re-election will be processed according to laws. 9. The period for the acceptance of nominations for candidates of directors and independent directors, the number of seats to be elected, and the places for processing the nominations by the Company's 2022 shareholders' annual general meeting. 10. The list of candidates for directors and independent directors nominated by the Company. 11. Lifting the non-compete restrictions on the newly elected directors during this shareholders' annual general meeting. 12. Proposal for assessing the independence of CPAs. 13. The Company's application for credit facilities with the correspondent bank. 14. In order to accommodate the original application with Shanghai Commercial Savings Bank Co., Ltd. (including the Head Office and branches) for the Company's office borrowing amount NT\$120 million, proposal to renew contract with the Bank. 15. The Company's application to Wenhua Branch of Bank of Panhsin for credit facilities. 16. The Company intends to apply for credit facilities with International Bills Finance Corporation, Zhongshan Branch, with an aggregate limit of NT\$50 million. 17. Amendments to some articles of the "Articles of Incorporation" of the Company. 18. Amendments to some of the articles of the Procedures for Lending Funds to Other Parties. 19. Amendments to some articles of the "Procedures for Endorsements and Guarantees." 20. Amendments to some of the articles of the "Procedures for the Acquisition or Disposal of Assets." 21. Amendments to the Company's "Regulations Governing the Financial and Business Operations for Transactions with Group Enterprises/Specified Companies/Related Persons." 22. Amendments to some articles of the "Remuneration Committee Charter" of the Company. 23. Amendments to some articles of the "Corporate Governance Best Practice Principles" of the Company. 24. Amendments to some articles of the "Rules for Performance Evaluation of Board of Directors."
2	14th Term 18th Meeting	2022.5.9	<ol style="list-style-type: none"> 1. The Company's 2022 first quarter consolidated financial statements. 2. In order to meet the working capital requirement of the subsidiary, Hong Siang Construction Co., Ltd., propose for the Company's financing of NT\$50 million. 3. The Company applied to Taipei Fubon Bank for a line of credit totaling NT\$40 million. 4. Amendments to some articles of the "Rules of Procedures for Shareholders' Meeting." 5. Amendments to some articles of the "Procedures for Election of Directors." 6. Amendments to some articles of the "Rules of Procedure for Board of Directors Meetings." 7. Amendments to the Articles of Incorporation to add the business scope. 8. Formulate the adjustment to the salary of managers of the Company in 2022. (Proposed by the Remuneration Committee)
3	The 15th Term 1st repurchase	2022.6.24	<ol style="list-style-type: none"> 1. Election of the Chairman. 2. Election of the President of the Company. 3. Election of the Group's president. 4. Election of members of the 1st Audit Committee. 5. Appointment of the Company's fifth Remuneration Committee members.
4	The 15th Term 2nd repurchase	2022.8.8	<ol style="list-style-type: none"> 1. The Company's 2022 second quarter consolidated financial statements. (Proposed by the Audit Committee) 2. Ratification of the Company's credit line applied to the Taiwan Cooperative Bills Finance Co. Ltd. with an aggregate limit of NT\$50,000,000. 3. Ratification of the Company's Shengyi Chemical's "F-19 Project - Fire Protection Pipeline Construction" project application to the Business Department of Shanghai Commercial and Savings Bank Ltd. with a total project amount of NT\$80,000,000. 4. Ratification of the Company's application with Hua Nan Commercial Bank, Ximen Branch, for the "Shuinan International Convention and Exhibition Center Phase II Construction Project" from the Construction Bureau, Taichung City Government. The project amount is NT\$552,030,000. 5. The Company provided endorsement and guarantee for the borrowings from China Bills Finance Corporation (CBF) by subsidiary Hong Siang Construction Co., Ltd. for an amount of NT\$50,000,000. (Proposed by the Audit Committee)
5	The 15th Term 3rd repurchase	2022.11.7	<ol style="list-style-type: none"> 1. The Company's 2022 third quarter consolidated financial statements. (Proposed by the Audit Committee) 2. Proposed general principles governing the establishment of the Company's pre-approved non-assurance service policy. (Proposed by the Audit Committee) 3. Change of auditors of the Company. (Proposed by the Audit Committee) 4. Proposal for the Company's 2021 new share issue through capitalization of retained earnings and the establishment of the ex-rights date. 5. Ratification of the Company's credit line applied to the CBF with an aggregate limit of NT\$50,000,000. 6. The Company had submitted a credit line to Mega Bills Finance Co., Ltd., Sanchong Branch, with a limit of NT\$100,000,000 (Attachment XII). 7. The Company's application for credit facilities with the correspondent bank. 8. In order to accommodate the original application with Shanghai Commercial Savings Bank Co., Ltd. (including the Head Office and branches) for the Company's office borrowing amount NT\$120 million, proposal to renew contract with the Bank. 9. The loan syndication was coordinated and organized by Mega Bank with an amount equivalent to NT\$2.2557 billion. The Chairman was authorized to negotiate various credit terms and contract terms, sign the syndicated loan contract, promissory note, Letter of Authorization and other related documents, and all other matters related to the joint loan project (including future contract amendments) with the Bank, and the bridge loan project limit application for "Nanya Technology Co., Ltd. 9-3 Nitrogen Field Supply System Purchase and Installation." 10. Newly added the "Management Procedures for the Preparation of Financial Statements." 11. Amendments to some of the articles of the "Procedures for Handling Material Internal Information."

			12. Amendments to the "Rules of Procedure for Board of Directors Meetings." 13. The 2023 annual internal audit plan. 14. Change of the Chief Accounting Officer of the Company. (Proposed by the Audit Committee) 15. Lifting of the non-compete restrictions on the Chief Accounting Officer of the Company. (Proposed by the Audit Committee)
6	The 15th Term 4th repurchase	2022.12.26	1. The Company's 2023 business goals and budgets. 2. Review the proposal of bonus distribution by the Company in 2022. (Proposed by the Remuneration Committee) 3. The Company has obtained a credit line from DAH CHUNG BILLS FINANCE CORP. with an aggregate limit of NTS\$50,000,000. 4. The Company has obtained a credit line from CBF with an aggregate limit of NTS\$30,000,000. 5. Application to Hua Nan Commercial Bank, Ximen Branch for changing the amount of the "New Construction Project of MRT CQ870 Section - CQ814D Water, Power, and Environmental Control Works" to NTS\$528,590,096.
7	The 15th Term 5th term	2023.03.13	1. The Company's 2022 standalone and consolidated financial statements. (Proposed by the Audit Committee) 2. The Company's Business Report (including 2022 Business Report and 2023 Business Plan). (Proposed by the Audit Committee) 3. 3. The 2022 "Internal Control Statement" of the Company. (Proposed by the Audit Committee) 4. Proposal for assessing the independence of CPAs. (Proposed by the Audit Committee) 5. The Company's 2022 proposal for appropriation of earnings. (Proposed by the Audit Committee) 6. The Company's 2022 new share issue through capitalization of retained earnings. 7. 2022 Employees' Compensation and Directors' Remuneration Distribution. (Proposal by the Remuneration Committee) 8. The convening time, venue and motion contents for the 2023 shareholders' annual general meeting, shareholders' proposals and venue for proposal acceptance. 9. Amendments to some articles of the "Corporate Governance Best Practice Principles" of the Company.

(XIII) During the most recent year and up to the date publication of this annual report, if the directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: None.

(XIV) During the most recent year and up to the date publication of this annual report, a summary of the resignation and dismissal of related persons to the Company (including the Chairman, President, chief accounting officer, chief financial officer, chief internal auditor, corporate governance officer, or R&D officer):

Job title	Name	Inauguration date	Date of dismissal	Reason for resignation or dismissal
General Management Department (Accounting Dept.) Vice President and Head of Accounting	Chin-Pi Hsu	May 11, 2017	August 9, 2021	Position adjustment (no longer holds the position of Chief Accounting Officer concurrently)
Chief Accounting Officer of Finance and Accounting Dept.	Hsuan-Yao Kung	August 9, 2021	October 6, 2022	Personal career planning

IV. Information on the Company's CPA audit fees

Unit: In Thousand of New Taiwan Dollars

Name of Accounting Firm	Name of CPA		Audit period	Audit fees	Non-audit fees	Total	Remarks (Note)
KPMG	Ming-Hung Huang	Chia-Chien Tang	2022/01/01~ 2022/12/31	2,150	545	2,695	None

Please specify the non-audit expenditure services: Tax certification and salary information checklist for full-time non-managerial employees.

Note: If the Company has replaced its CPAs or accounting firm this year, please state the audit period separately, explain the reason for the replacement in the remark column, and disclose the audit and non-audit fees paid.

V. Replacement of CPAs: None.

VI. The Company's Chairman, President, or any managerial officer in charge of financial or accounting affairs that has worked in the accounting firm or any of its affiliated company in the most recent year: None.

VII. The changes in the transfer or pledge of equity shares by directors, supervisors, managers, or shareholders holding more than 10% of the shares issued by the Company in the most recent year and up to the publication date of this annual report:

1. Movements in shareholdings of directors, supervisors, managers, and major shareholders

Unit: Shares

Title	Name	2022		The current year, as of April 26	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Director and Group President	Hung, Chen-Pan	0	0	0	0
Chairman and Vice President of Operations	Hong Chien-Fong	0	0	0	0
Director	Representative of Yung Chia International Development.: Yung-Hsing Tsai	0	0	0	0
Director	Chuan Lun Investment Co., Ltd. Representative: Lai, Chi-Li	0	0	0	0
Director	Neptune Investment Co., Ltd. Representative: Shu-Hua Chang	0	0	0	0
Director and President	Chang Ming-Chan	0	0	0	0
Director	Chang, Pang-Yen	0	0	0	0
Independent Director	Hui-You Hsu	0	0	0	0
Independent Director	Jung-Hui, Liang	0	0	0	0
Independent Director	Mao-Sheng Liang	0	0	0	0
Supervisor (Note)	Bi-Chuan Chen	0	0	0	0
Supervisor (Note)	Dun-Jen Cheng	0	0	0	0
Supervisor (Note)	Shu-Ming Chang	0	0	0	0
General Administration Division Vice President/Chief Financial Officer	Chin-Pi Hsu	0	0	0	0
Vice President	Chun-Hsien Kao	0	0	0	0
Assistant Vice President	Cheng-Chuan Lu	0	0	0	0
Assistant Vice President	Yung-Hsi Chen	0	0	0	0
Assistant Vice President	Chi-Kui Li	0	0	0	0
Assistant Vice President	Hsien-Chao Chang	0	0	0	0
Chief Auditor	Yi-Chieh Huang	0	0	0	0

Note: Resigned in line with elections during the Company's annual general meeting on June 24, 2022.

1. Information on share transfer

Name	Reason for equity transfer	Transaction date	Counterparty of transaction	Relationship between counterparties and the Company, directors, supervisors, managers, and shareholders with more than 10% ownership interest	Number of shares	Transaction price
None	None	None	None	None	None	None

2. Information on equity pledge:

Name	Reason for change in pledge	Date of change	Counterparty of transaction	Relationship between counterparties and the Company, directors, supervisors, managers, and shareholders with more than 10% ownership interest	Number of shares	Pledge (redemption) amount
None	None	None	None	None	None	None

VIII. Information about the top ten shareholders with shareholding ratio, and their relationship with each other or their spouses or relatives within the second degree of kinship:

Relationship among the Top 10 Shareholders

April 26, 2022

Name	Shareholding of the individual		Shareholding of spouse or minor children		Total shareholding by nominee arrangement		Spouse and relatives within the second degree of kinship among the top ten shareholders who are related to each other as described in SFAS No. 6 related party, the names and their relationships.		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title	Relations	
TAIWAN BENEFIT COMPANY	3,146,484	4.44%	-	-	-	-	1. Jenn-Pan Horng 2. Chuan Lun Holding Co. Ltd. 3. Yung Chia International Development	1. Chairman of Taiwan Benefit Company 2. Corporate Director of Taiwan Benefit Company 3. Corporate Director of Taiwan Benefit Company	
Representative: Jenn-Pan Horng	2,671,560	3.77%	797,342	1.13%	-	-	1. TAIWAN BENEFIT COMPANY 2. Shu-Jing Lai Li 3. Chee-Lee Lai	1. Chairman of Taiwan Benefit Company 2. Spouse, brother and sister-in-law 3. Spouse's younger brother	
Hung, Chen-Pan	2,671,560	3.77%	797,342	1.13%	-	-	1. TAIWAN BENEFIT COMPANY 2. Shu-Jing Lai Li 3. Chee-Lee Lai	1. Chairman of Taiwan Benefit Company 2. Spouse, brother and sister-in-law 3. Spouse's younger brother	
Chuan Lun Holding Co. Ltd.	2,383,560	3.37%	-	-	-	-	TAIWAN BENEFIT COMPANY	Corporate Director of Taiwan Benefit Company	
Representative: Chee-Lee Lai	-	-	838,588	1.18%	-	-	1. Jenn-Pan Horng 2. Shu-Jing Lai Li	1. Brother-in-law 2. Sister-in-law	
Yung Chia International Development	2,329,914	3.29%	-	-	-	-	1. Shu-Mei Tsai Lai 2. TAIWAN BENEFIT COMPANY	1. Chairman of Yung Chia 2. Corporate Director of Taiwan Benefit Company	
Representative: Shu-Mei Tsai Lai	1,349,621	1.91%	11,583	0.02%	-	-	Yung Chia International Development	Chairman of Yung Chia	
Shu-Mei Tsai Lai	1,349,621	1.91%	11,583	0.02%	-	-	Yung Chia International Development	Chairman of Yung Chia	
Neptune Investment Co., Ltd.	1,400,950	1.98%	-	-	-	-	-	-	
Representative: Shu-Hua Chang	683,920	0.97%	-	-	-	-	Yang Ming Investment Co., Ltd.	Representative of Yang Ming Investment Co., Ltd.	
Yang Ming Investment Co., Ltd.	1,200,310	1.70%	-	-	-	-	-	-	
Representative: Shu-Ming Chang	683,920	0.97%	-	-	-	-	Neptune Investment Co., Ltd.	Director of Neptune Investment Co., Ltd.	
FAR BEST CO., LTD.	997,234	1.41%	-	-	-	-	-	-	
Representative: Ji-Hui Chang	-	-	-	-	-	-	-	-	
Su-Li Chiang	960,250	1.36%	-	-	-	-	-	-	
Shu-Jing Lai Li	911,866	1.29%	-	-	-	-	1. Jenn-Pan Horng 2. Chee-Lee Lai	1. Spouse and brother-in-law 2. Spouse's younger brother	

Note 1: The top 10 shareholders shall be listed. For corporate shareholders, the name of the corporate shareholder and the name of the representative shall be listed separately.

Note 2: The shareholding ratio is calculated in the name of own name, spouse, underage children, or shareholding in the name of others.

Note 3: The relationship among the above-mentioned shareholders, including juristic persons and natural persons, shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Issuers.

IX. The total number of shares held and the consolidated shareholdings in any single investee by the Company, its directors, supervisors, managers, or any companies controlled either directly or indirectly by the Company

December 31, 2022 Unit: Shares: %

Investee	The Company's investment		Investment by directors, supervisors, managers, or any companies controlled either directly or indirectly by the Company		Comprehensive investment	
	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %
BIOTEQUE CORPORATION (Note 1)	304,219	0.44%	-	-	304,219	0.44%
TAIWAN BENEFIT COMPANY (Note 1)	4,472,182	11.75%	7,955,266	20.90%	12,427,448	32.65%
LEAD DATA INC. (formerly known as Yili Technology) (Note 1)	63,087	0.04%	-	-	63,087	0.04%
LNT TECHNOLOGY CO., LTD. (Note 2)	400,000	40.00%	-	-	400,000	40.00%
HONG SIANG CONSTRUCTION CO., LTD. (Note 3)	6,800,000	100.00%	-	-	6,800,000	100.00%
RELIANT REAL ESTATE DEVELOPMENT CO., LTD. (Note 3)	5,250,000	100.00%	-	-	5,250,000	100.00%
King Polytechnic (Texas) Corporation (Note 3)	270,000	100.00%	-	-	270,000	100.00%

Note 1: Financial assets measured at fair value through other comprehensive income

Note 2: Re-invested companies accounted for using the equity method

Note 3: Reinvested subsidiary wholly held by the Company

Four. Fundraising Status

I. Source of share capital

1. Formation of share capital: On April 28, 2023, Unit: NTD: Shares

Year/Month	Face value per share (NTD)	Authorized capital		Paid-in capital		Remarks						
		Number of shares	amount	Number of shares	amount	Source of share capital					Capital increased by assets other than cash	Others
						Conversion of corporate bonds	Cash capital increase by	Capitalization of earnings to increase the capital by	Capitalization of capital surplus	Total		
1982.08	10	1,000,000	10,000,000	600,000	6,000,000	-	6,000,000	-	-	6,000,000	None	-
1989.03	10	2,000,000	20,000,000	1,000,000	10,000,000	-	4,000,000	-	-	4,000,000	None	-
1989.05	10	5,000,000	50,000,000	2,750,000	27,500,000	-	17,500,000	-	-	17,500,000	None	-
1989.12	10	5,000,000	50,000,000	5,000,000	50,000,000	-	22,500,000	-	-	22,500,000	None	-
1998.03	10	20,000,000	200,000,000	10,000,000	100,000,000	-	50,000,000	-	-	50,000,000	None	Note 1
1998.07	10	20,000,000	200,000,000	19,990,000	199,900,000	-	99,900,000	-	-	99,900,000	None	Note 2
1999.07	10	35,000,000	350,000,000	23,846,399	238,463,990	-	-	18,573,990	19,990,000	38,563,990	None	Note 3
2000.06	10	35,000,000	350,000,000	27,626,096	276,260,960	-	-	23,489,130	14,307,840	37,796,970	None	Note 4
2001.07	10	35,000,000	350,000,000	30,907,750	309,077,500	-	-	29,501,410	3,315,130	32,816,540	None	Note 5
2002.09	10	50,000,000	500,000,000	33,864,797	338,647,970	-	-	29,570,470	-	29,570,470	None	Note 6
2005.10	10	50,000,000	500,000,000	34,600,068	346,000,680	7,352,710	-	-	-	7,352,710	None	Note 7
2006.01	10	50,000,000	500,000,000	35,198,090	351,980,900	5,980,220	-	-	-	5,980,220	None	Note 8
2006.04	10	50,000,000	500,000,000	40,913,721	409,137,210	57,156,310	-	-	-	57,156,310	None	Note 9
2006.07	10	80,000,000	800,000,000	41,011,760	410,117,600	983,390	-	-	-	983,390	None	Note 10
2006.10	10	80,000,000	800,000,000	43,103,833	431,038,330	-	-	20,920,730	-	20,920,730	None	Note 11
2007.01	10	80,000,000	800,000,000	43,983,078	439,830,780	8,792,450	-	-	-	8,792,450	None	Note 12
2007.04	10	80,000,000	800,000,000	46,280,831	462,808,310	22,977,530	-	-	-	22,977,530	None	Note 13
2007.10	10	80,000,000	800,000,000	49,052,192	490,521,920	-	-	27,713,610	-	27,713,610	None	Note 14
2008.03	10	80,000,000	800,000,000	49,145,411	491,454,110	932,190	-	-	-	932,190	None	Note 15
2008.08	10	80,000,000	800,000,000	50,662,352	506,623,520	15,169,410	-	-	-	15,169,410	None	Note 16
2008.09	10	80,000,000	800,000,000	51,992,806	519,928,060	-	-	13,304,540	-	13,304,540	None	Note 17
2008.11	10	80,000,000	800,000,000	52,586,025	525,860,250	5,932,190	-	-	-	5,932,190	None	Note 18
2009.02	10	80,000,000	800,000,000	52,642,099	526,420,990	560,740	-	-	-	560,740	None	Note 19
2009.04	10	80,000,000	800,000,000	58,090,640	580,906,400	5,448,541	-	-	-	5,448,541	None	Note 20
2009.07	10	80,000,000	800,000,000	61,342,957	613,429,570	3,252,317	-	-	-	3,252,317	None	Note 21
2009.08	10	80,000,000	800,000,000	61,370,994	613,709,940	28,037	-	-	-	28,037	None	Note 22
2009.09	10	80,000,000	800,000,000	62,950,257	629,502,570	-	-	15,792,630	-	15,792,630	None	Note 23
2010.10	10	80,000,000	800,000,000	64,838,764	648,387,640	-	-	18,885,070	-	18,885,070	None	Note 24
2011.09	10	80,000,000	800,000,000	68,729,089	687,290,890	-	-	38,903,250	-	38,903,250	None	Note 25
2012.07	10	100,000,000	1,000,000,000	68,729,089	687,290,890	-	-	-	-	-	None	Note 26
2020.10	10	100,000,000	1,000,000,000	70,790,961	707,909,610	-	-	20,618,720	-	20,618,720	None	Note 27
2022.12	10	100,000,000	1,000,000,000	72,206,780	722,067,800	-	-	14,158,190	-	14,158,190	None	Note 28

- Note 1: Approved by the Ministry of Economic Affairs under Letter Ref. No. (87)-Shang-Zi 108185.
 Note 2: Approved by the Ministry of Economic Affairs under Letter Ref. No. (87)-Shang-Zi 087125052.
 Note 3: Approved by Letter Ref. No. (88) Tai-Cai-Zheng (I) 57892 dated July 5, 1999 from Securities and Futures Commission, Ministry of Finance.
 Note 4: Approved by Letter Ref. No. (89) Tai-Cai-Zheng (I) 47517 dated June 1, 2000 from Securities and Futures Commission, Ministry of Finance.
 Note 5: Approved by Letter Ref. No. (90) Tai-Cai-Zheng (I) 148299 dated July 25, 2001 from Securities and Futures Commission, Ministry of Finance.
 Note 6: Approved by Letter Ref. No. Tai-Cai-Zheng (I) 0910152313 dated September 23, 2002 from Securities and Futures Commission, Ministry of Finance.
 Note 7: Approved by Letter Ref. No. Fu-Jian-Shang 09423328120, dated October 26, 2005 from Taipei City Government.
 Note 8: Approved by Letter Ref. No. Fu-Jian-Shang 09571884210, dated January 24, 2006 from Taipei City Government.
 Note 9: Approved by Letter Ref. No. Fu-Jian-Shang 09575576100, dated April 12, 2006 from Taipei City Government.
 Note 10: Approved by Letter Ref. No. Fu-Jian-Shang 09579623900, dated June 16, 2006 from Taipei City Government.
 Note 11: Approved by Letter Ref. No. Fu-Jian-Shang 09583860210, dated October 12, 2006 from Taipei City Government.
 Note 12: Approved by Letter Ref. No. Fu-Jian-Shang 09680441710, dated January 17, 2007 from Taipei City Government.
 Note 13: Approved by Letter Ref. No. Fu-Jian-Shang 09683208900, dated April 17, 2007 from Taipei City Government.
 Note 14: Approved by Letter Ref. No. Fu-Jian-Shang 09690681800, dated October 18, 2007 from Taipei City Government.
 Note 15: Approved by Letter Ref. No. Fu-Jian-Shang 09783516410, dated April 29, 2008 from Taipei City Government.
 Note 16: Approved by Letter Ref. No. Bei-Shang-I 0970029628, dated August 4, 2008 from Taipei City Government.
 Note 17: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 09701216640, dated August 29, 2008.
 Note 18: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 09701265330, dated October 24, 2008.
 Note 19: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 09801016420, dated February 2, 2009.
 Note 20: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 09801074690, dated April 17, 2009.
 Note 21: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 09801158180, dated July 20, 2009.
 Note 22: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 09801177430, dated August 6, 2009.
 Note 23: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 09801200110, dated September 2, 2009.
 Note 24: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 09901221380, dated October 1, 2010.
 Note 25: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 10001215730, dated September 27, 2011.
 Note 26: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 10101137020, dated July 13, 2012.
 Note 27: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 10901187860, dated October 19, 2020.
 Note 28: Approved by the Ministry of Economic Affairs under Letter Ref. No. Jing-Shou-Shang 11101234000, dated December 9, 2022.

2. Type of shares:

April 28, 2023 Unit: Shares

Type	Shares	Authorized capital			Remarks
		Number of shares issued	Number of shares unissued	Total	
Registered ordinary shares		72,206,780	27,793,220	100,000,000	

II. Shareholder structure

April 28, 2023

Shareholder structure	Government agencies	Financial institutions	People from Mainland China	Other juridical persons	Foreign institutions and natural persons	Individual	Total
Number of people	0	0	1	144	31	24,843	25,019
Number of shares held	0	0	1	13,197,048	2,886,173	56,123,558	72,206,780
Percentage of ownership %	0.00%	0.00%	0.00%	18.28%	4.00%	77.73%	100.00%

III. Equity dispersion

April 28, 2023

Shareholding range	Number of shareholders	Number of shares held	Shareholding
1-----999	18,174	504,333	0.70%
1,000-----5,000	5,282	10,585,114	14.66%
5,001-----10,000	775	5,986,315	8.29%
10,001-----15,000	269	3,312,391	4.59%
15,001-----20,000	137	2,511,334	3.48%
20,001-----30,000	124	3,104,407	4.30%
30,001-----50,000	2018	4,219,538	5.84%
50,001----100,000	82	5,710,598	7.91%
100,001----200,000	31	4,208,857	5.83%
200,001----400,000	10	2,859,710	3.96%
400,001----600,000	9	4,502,988	6.24%
600,001----800,000	3	1,932,448	2.68%
800,001--1,000,000	8	6,910,663	9.57%
1,000,001 shares or more	8	15,858,084	21.96%
Total	25,019	72,206,780	100.00%

IV. List of major shareholders

Names, shareholdings, and percentages of shareholders holding at least 5% of the shares or top 10 shareholders.

April 28, 2023

Share	Number of shares held	Percentage of ownership %
Name of major shareholder		
TAIWAN BENEFIT COMPANY	3,209,413	4.44%
Hung, Chen-Pan	2,724,991	3.77%
Chuan Lun Investment Co., Ltd.	2,431,231	3.37%
Yung Chia International Development	2,405,072	3.33%
Neptune Investment Co., Ltd.	1,428,969	1.98%
Chia Pang Investment Co., Ltd.	1,403,979	1.94%
Yang Ming Investment Co., Ltd.	1,227,816	1.70%
Shu-Mei Tsai Lai	1,026,613	1.42%
Jung-Hsiung Huang	970,768	1.34%
FAR BEST CO., LTD.	917,178	1.27%

V. Market price and net asset value per share, earnings, dividends, and relevant information in the most recent two years

Unit: NTD; Thousand shares

Items		Year	2021	2022
Market price per share	Highest		12.85	21.2
	Lowest		9.92	11.8
	Average		11.28	16.21
Book value per share	Before distribution		16.51	17.63
	After distribution		15.79	16.24
Earnings per share	Weighted average number of shares		70,791	72,207
	Earnings per share	Before adjustment	0.79	1.79
		After adjustment	0.77	1.77
Dividend per share	Cash dividends (Note 1)		0.4	0.9
	Stock dividend	Distribution of earnings (Note 1)	0.2	0.3
		Distribution of capital surplus	-	-
	Cumulative unpaid dividends		-	-
Analysis of return on investment	Price-earnings ratio (Note 2)		12.28	9.06
	Price-dividend ratio (Note 3)		28.20	18.01
	Cash dividend yield (Note 4)		3.55	5.56

Note 1: The 2022 appropriation of earnings is pending approval by the shareholders' annual general meeting for the current year.

Note 2: Price to earnings ratio = Average closing price per share for the year/earnings per share.

Note 3: Price to dividends ratio = Average closing price per share for the year/cash dividend per share.

Note 4: Cash dividends yield = Dividend per share/average closing price per share for the year.

VI. Dividend policy and implementation

1. The Company's dividend policy:

The Company's dividend policy is implemented in accordance with the Company Act and the Company's Articles of Incorporation, while maintaining balance in order to ensure the normal operation of the Company and protect the rights and interests of investors.

Any profits made in the current year shall be retained to cover accumulated losses, and then 8% of the pre-tax profits shall be appropriated as remuneration to employees. The distribution will be distributed in shares or cash upon resolution of the board of directors, and the recipients of the payment include employees of subordinate companies that meet certain criteria; The board of directors may resolve to appropriate no more than 2% of the above-mentioned profit as remuneration to directors and supervisors. Employee remuneration and directors' and supervisors' remuneration distribution proposals shall be reported to the shareholders' meeting.

If the Company has earnings at the end of the year, it shall pay taxes according to laws, make up the accumulated losses, and then appropriate 10% as the legal reserve to the extent that it is of the same amount as the paid-in capital. Allocate the remainder as provision or reversal of special reserves according to laws and regulations; if there is any remaining balance, together with undistributed earnings, the board of directors will draft an earnings appropriation proposal and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

The Company's dividend policy is implemented in accordance with the Company Act and the Company's Articles of Incorporation, in response to the Company's long-term development needs, and in consideration of the Company's capital structure and long-term financial plans, the Board of Directors has formulated the principles for the distribution of dividends. The engineering service business of the Company is a capital- and technology-intensive industry. In order to consider the operating principles of a sound financial structure and the life cycle of each business, the retained earnings must be used to meet operational growth and investment needs. At this stage, a residual dividend policy is adopted. The ratio of stock dividends (including distribution of earnings and capital surplus) to cash dividends is determined based on the principle of earnings distribution according to the Company's capital needs, but the ratio of cash dividends shall not be less than 20%.

When the board of directors resolves to distribute dividends, if the closing price of the Company's common shares on the previous day is lower than the par value, the company may distribute cash dividends in whole or in part. The amount of earnings distribution, the type and percentage of dividends may depend on the actual profit and funding status of the year, and after the resolution of the board of directors, it is proposed to the shareholders' meeting for resolution.

2. Dividend distribution proposed in the current shareholders' meeting:

On March 13, 2023, the board of directors resolved the proposal for the distribution of earnings for 2022. Pending approval by the Shareholders' Meeting of this year.

Unit: New Taiwan Dollars

Items	Total
Undistributed earnings at beginning of period	238,952,262
Add (subtract): Change of re-measurement of defined benefit plan for the current period	2,546,000
Net profit after tax	129,011,515
Subtract: 10% legal reserve	(13,155,752)
Earnings available for distribution	357,354,025
Items for distribution:	
NT\$0.3 per share dividend (calculated based on the share capital allotment of 0.03 share per share on December 31, 2022)	21,662,030
Cash dividend to shareholders at NT\$0.9 per share	64,986,106
Undistributed earnings at the end of the period	270,705,889

Note: The above shareholders' dividend ratio is calculated based on the Company's total number of shares of 72,206,780 shares as of December 31, 2022. Cash dividend of NT\$0.9 and stock dividend of NT\$0.3 per share, totaling NT\$1.2 per share, will be allocated from the earnings of the current period.

3. Expected effect of major changes in dividend policy: The Company's dividend policy is not expected to be changed significantly, so it is not affected.

VII. The influence of the stock dividend proposed at the shareholders' meeting on the Company's operating performance and earnings per share: Not applicable.

VIII. Employee remuneration and directors' and supervisors' remuneration

1. The percentage of the profit for or scope of employee remuneration and directors' remuneration as stated in the Company's Articles of Incorporation:

If there are earnings from the annual settlement of the Company, an amount to cover the accumulated deficits shall first be reserved from the earnings. Subsequently, allocate 8% and not more than 2% from the pre-tax income as remuneration for employees, and directors and supervisors, respectively. The distribution proposal shall be reported to the shareholders' meeting.

2. Basis for estimation of employee remuneration and directors' and supervisors' remuneration in this period, basis for the calculation of the number of shares for stock dividends to employees, and accounting treatment if the amount distributed is different from the estimated amount:

- (1) The amount of remuneration to directors and supervisors, and employees is estimated in accordance with Articles 26 and 26-1 of the Company's Articles of Incorporation.
- (2) The estimated remuneration to directors and supervisors, and employees is not based on the method for the distribution of shares.
- (3) The accounting treatment if the actual amount distributed is different from the estimated amount: It will be treated as a change in accounting estimate and adjusted for book entry in the year of actual distribution.

3. The distribution of remuneration approved by the Board of Directors:

- (1) Amount of remuneration distributed to employees, and directors and supervisors
The appropriation of earnings was passed during the Company's 5th meeting of the 15th board of directors on March 13, 2023. Employees' cash remuneration is NT\$14,026,332, directors and supervisors' remuneration is NT\$3,506,583. It is to be reported to the shareholders' meeting for this year.
- (2) Employees' remuneration distributed in shares and its ratio to the net income after tax and the total employees' remuneration:
Not applicable.
- (3) The imputed earnings per share after taking into account the proposed employees' remuneration and directors'/supervisors' remuneration:
Remuneration to employees, and directors and supervisors to be distributed in 2022 are in cash and are recognized as expenses for the year according to laws, with no impact on earnings per share.

4. Where there is a difference between the actual distribution of the employees remuneration, and directors and supervisors remuneration and the estimated amounts for the prior year (including the number of shares distributed, amount, and stock price), the amount of the difference, reason, and accounting treatment shall also be specified:

Pursuant to the resolution passed in the shareholders' meeting, the Company granted remuneration to employees for 2021 amounting to NT\$5,616,425 and that to the directors/supervisors for NT\$1,404,106. There was no discrepancy.

IX. The repurchase of the Company's shares: None.

X. Issuance of corporate bonds: None.

XI. Issuance of preference shares: None.

XII. Issuance of depository receipts: None.

XIII. Issuance of employee stock warrants: None.

XIV. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

XV. The plan for the use of funds, including the contents of the plan and the progress: Not applicable.

Five. Overview of Operations

I. Operation of the Company

(I) Information on business

1. Scope of business

(1) Main business activities of the Company

- ① Plant planning, design, and construction for the petrochemical and chemical industries
- ② Planning, design, and construction of public works industry
- ③ Plant planning, design, and construction of high-tech industries such as electronics, semi-conductor, photoelectric communication, sterile clean room, and data center
- ④ Planning, design, and construction of clean energy and environmental protection industries
- ⑤ Residential and commercial building construction and electrical and mechanical engineering
- ⑥ Planning, design, and construction of smart factories, smart buildings, and smart healthcare-related industries
- ⑦ Plant planning, design, and construction for the biotechnology, medical, and pharmaceutical industries

(2) Weight of business

The Company's main business activities in 2022 and their weightings:

Unit: In Thousand of New Taiwan Dollars

Main business activities	2022	
	Amount	Percentage
MRT, power plants, air-conditioning electromechanical systems, and public works	706,619	28.74%
Petrochemical and chemical engineering	1,655,171	67.33%
Others	96,706	3.93%
Total	2,458,496	100.00%

(3) The products and services provided by the Company

Based on the different types of services provided, the Company provides the following main services:

- ① Plant planning, design, and construction of plants for petrochemical and chemical industries

This item is aimed at providing industrial plants such as petrochemical, chemical, electronic grade chemicals, power plants, and steel plants with design and construction services including civil engineering/steel structure, pipelines, equipment, instrument and electricity, fire protection, and environmental protection. The Company also provides customized services in accordance with the relevant standards and regulations and customer requirements.

- ② Various types of works in the public works industry

Public works refer to cases subject to public bidding by government agencies, including mass rapid transit system, UHV and cable tunnel works, public buildings and public housing, school buildings and dormitory.

- ③ Mechanical and electrical system integration of the plant in the construction of high-tech industrial plants

This item provides the planning, design, and construction services for clean room engineering, pipelines, I&C, electrical, air conditioning, fire prevention, water supply and drainage, and weak current required for plant construction in the electronics, semi-conductor, optoelectronic, communication, and data center industries, and to provide installation, testing, operation and follow-up maintenance services.

- ④ Design and construction of clean energy and environmental protection related industries

Clean energy and environmental protection related industries are such as hydrogen energy, geothermal, offshore wind power, waste incineration plants, natural gas receiving stations and other related facilities. The Company uses its system integration ability for EPC turnkey projects for joint collaborations with international professional manufacturers, upgrading our technical levels to win various clean energy and environmental protection related projects.

- ⑤ Construction and mechanical and electrical engineering of residential buildings, commercial buildings and general

buildings

By utilizing the precision specifications and rapid construction experience of high-tech plants in the past, coupled with the rigorous project and quality management of traditional industrial plants, the Company is suitable for the construction projects of residential buildings, commercial buildings, hotels, resorts and general buildings, providing the best service.

⑥ Planning, design, and construction of smart factories, smart buildings, and smart healthcare

Due to the accelerated innovation in the information and communication industries, the smart factories, smart buildings, and smart medical care industries will develop rapidly, and will eventually gather and develop toward smart city. The Company has applied its expertise in Electrical and Mechanical (E&M) system integration to introduce smart solutions into new venues integrating disciplines such as architecture, information and communication, automatic control, air conditioning, and lighting energy conservation to digitize the storage and transportation information in the plant. The Situation Room will conduct big data analysis on the massive data of the production process and utility system that are visualized, and provide services such as planned diagnosis and predictive maintenance.

⑦ Plant planning, design, and construction for the biotechnology, medical, and pharmaceutical industries

This item involves applied biotechnology in the fields of pharmacy, medical equipment, agriculture, food, specialty chemicals, and environment. Taiwan's pharmacy industry is in conformity with international PIC/S GMP standards, and it has grasped the business opportunities to explore export markets. The government has set the goal for: Taiwan as the Asia-Pacific biotechnology and pharmaceutical R&D industry center. The Company has accumulated experience in many biotech plant projects and will actively strive for related plant construction business.

(4) New products and services planned to be developed

- ① Smart Factory
- ② Smart building
- ③ Smart healthcare

In response to the system technology evolution of various IoT products and the advent of the 5G era, we will utilize our professional techniques in mechatronic systems integration engineering in combination with the self-developed energy management system by LNT Technology Co., Ltd. invested by the Group, and integrate related light-current and information communication system manufacturers to provide customers with comprehensive intelligent services in order to accelerate business development through EPC + intelligent value-added integrated services.

2. Overview of the industry

(1) Current status and development of the industry

Although the world is still affected by the COVID-19 pandemic in 2022, vaccination coverage continues to increase and the easing of lockdowns and restrictions in various countries have led to social activities gradually returning to normal, which will drive the recovery of the global economy, and the world will slowly return to the normal operation track of before the pandemic. In Taiwan, due to the well-controlled epidemic, Taiwanese businessmen returned to set up factories in Taiwan, and the escalation of the US-China trade war, well-known enterprises from all over the world have begun to increase the scale of investment in the high-tech industry here because Taiwan has a complete industrial chain and sufficient experience in the market. In addition, in order to promote economic development, the government continues to expand investment in public constructions and accelerate the implementation of budgets, resulting in a significant increase in the number of construction procurement bidding.

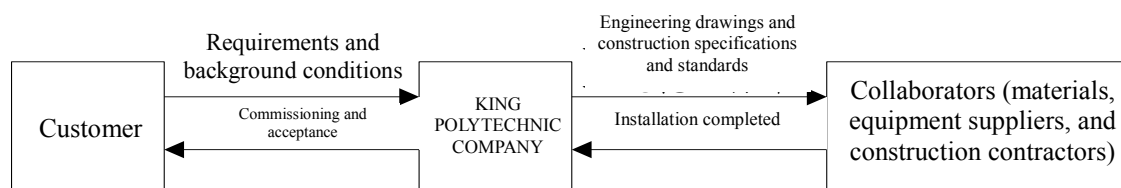
Although the global economy has deteriorated drastically since the second half of the year and has cast a shadow over the outlook for 2023, in response to the global trend towards net zero carbon reduction, petrochemical operators have step-by-step been making the transition to high value and specialty chemical products, energy storage battery material, and increasing investments in other clean energy, such as wind power and solar energy. The global semi-conductor industry grows slowly due to destocking and overcapacity of memory. However, the continuous innovation of the information and communication industry is driving the global development of IoT, artificial intelligence, electric automotive, robotics, cloud-based data center, smart manufacturing, smart city, and smart healthcare related industries which still present robust business opportunities in the long run. Therefore, the Company will continue to apply the practical experience accumulated over many years in the professional technology of system integration, work with its partners, and combine corporate social responsibility, sustainable thinking and business development strategies to provide customers with more services that meet corporate sustainability concept and the circular economy achieving their carbon neutrality goals, and to capture more business opportunities in ESG projects.

(2) Interrelationship among the upstream, midstream, and downstream industries

The Company mainly specializes in engineering services (including design and construction) and its customer base covers petrochemical, chemical, electronics, semi-conductor, solar/renewable energy, electricity, and public works fields. It is required that the basic and detailed design process of various professional engineering personnel (process, mechanical, electrical, instrument and control, pipeline, air-conditioning, and civil/structural) be converted into relevant engineering

drawings (including design and construction). The relevant third-parties must complete the construction work according to the engineering drawings. During the period, in addition to continuous discussions with customers, all materials and equipment supplies, construction standards and specifications need to be confirmed to ensure that the requirements are met and the construction period can be completed within the deadline .

Figure 1. Relationship among the upstream, midstream and downstream of KING POLYTECHNIC



(3) Product development trends

① The continuous innovation of the information and communication industry has driven the development of the Internet of Things, artificial intelligence, electric vehicles, robots, cloud data centers, smart manufacturing, smart cities, and smart medical care worldwide. The related industries are booming, and the challenges that system integration will face in the future will be higher. It is no longer just for the connection of parallel systems like in the past. What is needed is more vertical integration. In particular, new products and technologies brought about by the Internet age need to be incorporated into the overall planning from the very beginning. Therefore, the system integration will become a new engineering platform, and all parties involved in the engineering construction process must engage in integrated interaction and cooperation in a transparent, non-interface, and non-sequential manner.

② In response to the diversification of 5G IoT applications, the Company will make use of the advantages and features mentioned in ① to jointly develop the high-quality data streaming of the mobile device for its full utilization. The aim is to satisfy the various needs of the customers and to offer better experiences.

③ In addition to cooperating with IoT technology, the Company will also establish its own smart design function for planning and design to further construct the integrity of the smart system.

④ As mentioned above, products and technologies based on intelligence and artificial intelligence (AI) are bound to become an integral part of future engineering construction. The Company will construct the 3T (IT+OT+ET) in one EPC + innovative services to its own professional engineering to provide substantive and complete solutions for our customers.

(4) Competition

Due to the advent of the Internet era, the division of labor in engineering construction is no longer differentiated in terms of priority and sequence. The Company will use its decades of professional experience and foundation in engineering integration to establish a new engineering platform that incorporates smart design tools to complete the connection of all engineering interfaces, in order to achieve specific results with smart functions as the goal. To achieve this goal, it is necessary to have professional knowledge in the fields of civil engineering, structure, electromechanical, air conditioning, fire prevention, I&C, and weak current. The Company already has certain advantages on the existing foundation and will further strengthen its competitiveness. Establish strategic alliances with related third parties to provide solutions that meet actual needs. Although some IoT product technology vendors have also pursued system integration as their goal, they have not been able to achieve full success. IoT is only a tool, and system integration still requires contextual processes and experience to be the key. For example, both the production process and the experience of the old masters in the manufacturing industry are the key. Therefore, the Company is fully confident that it will be able to stand out from the crowd when faced with the competitive environment.

Furthermore, the scope of engineering works will not only be more diverse and complex, but also larger in scale. The key to the success of a construction project management and professional technology will be closely combined with the smart design and management tools mentioned above, in order to be able to respond to the operation of huge and complex projects, and survive and grow in the ever-changing construction industry market.

3. Technology and R&D overview

(1) The technical level and research and development of the business

① Smart factory

It has been nearly 40 years since the Company's establishment, and it has completed the construction of many industrial plants for different production processes. The Company has a wealth of industrial processes and related data. In addition to using the accumulated experience in the past to help customers optimize production processes, we also introduced applied Computational fluid dynamics (CFD) at the design stage for simulation planning, Aveva E3D Design (formerly known as AVEVA PDMS), Building Information Modeling (BIM) and other 3D software modeling as the reference for construction and maintenance, so that customers can improve production efficiency and reduce costs in plant construction. and operating costs . In addition, with the rise of 5G, more products and technology applications will appear. The Company

will work with other related product and technology supply partners, and use the engineering, procurement, and construction (EPC+) concept to achieve the goal of integrating information technology (IT). The combination of IT and operation technology (OT) equipment forms the ET engineering technology which enables us to provide customized smart manufacturing complete solutions based on customer characteristics.

② Smart buildings

As mentioned above, the buildings of the future will need to be as friendly to the environment and society as possible, while at the same time achieving the goal of sustainability. Under this premise, energy conservation and a circular economy will inevitably become issues of concern. Therefore, in addition to adopting BIM software modeling as the reference for construction and maintenance from the early stage, the Company also made full use of its professional strength in system integration to integrate construction, M&E, weak current, and EMS energy management system projects on the same engineering platform, including the construction of smart buildings, smart campuses, and smart cities with better efficiency.

③ Smart healthcare

In the future, IoT products and 5G technology will be widely used in the medical field, especially in remote diagnosis and nursing. Based on the basic electromechanical system for hospital construction, the Company will link with information and network related vendors to propose the best tailor-made solution. Meanwhile, the facility will be upgraded in accordance with the JCI standard.

(2) Successfully developed technologies or products

① Petrochemical/chemical engineering:

The Company's recent completion of the design of the blood bag factory in Nanya Shulin has enabled the Company to continue to expand into the biotechnology industry. The ongoing projects that we continued our efforts from last year are the EPC project of the Intercontinental Wharfs Storage, Transportation and Fire Protection Project of the SHINY CHEMICAL INDUSTRIAL CO., LTD.; the ancillary equipment and pipeline engineering projects other than for the 12 oil tanks of the Dalin Oil Storage and Transportation Center Area I of CPC; and, the big contract project of Mailiao Plant of Formosa Plastics Group. Major projects completed so far include the following: The installation of hydrogen equipment at Taichung Port West Wharf by MGC Pure Chemicals Taiwan (MPCT); the expansion of new Huntsman plant; the turnkey project for upgrading the EDR equipment at Linyuan of CPC; big contract project for the installation of MGGH & WESP machinery at FP2 of MAI-LIAO POWER CORPORATION; rust remover and paint big contract project (multiple contracts) of Formosa Petrochemical Corporation (FPCC); turnkey project for the construction of new PET plant of Huntsman; Hua Yun Kaohsiung Intercontinental Oil Center; Indonesia Indofood Dairy Factory; Formosa Petrochemical Mailiao maintenance engineering; CPC compressor turnkey project; Taishan 20 tons aerobic fermentation system of Chang Gung Biotechnology Co., Ltd.; Formosa Plastics USA Texas HDPE Plant steel structure and equipment installation project; Formosa Petrochemical Mailiao MTBE #2 unit construction turnkey project; Taichung nitric acid plant turnkey project of TAIWAN FERTILIZER CO., LTD.; Taichung Port liquid ammonia freezer phase I and II project of TAIWAN FERTILIZER CO., LTD.; Taichung Plant public pipeline system of TAIWAN FERTILIZER CO., LTD.; Formosa Plastics' Mailiao SAP Plant mechanical construction project; TPCC's Linyuan Plant Revamping EPC project; FPCC's FGR&TO turnkey project for OL-1, 2, and 3 plants; civil engineering of boiler area for PTA#3 plant in Taoyuan of Oriental Petrochemical (Taiwan) Co., Ltd.; renovation project of NO.6/7/8 boiler denitration equipment of Kaohsiung Plant of China Steel Corporation.

② Electronics, semi-conductor, clean room and other high-tech industry engineering:

In recent years, due to the accelerated digital transformation driven by the COVID-19 pandemic, sales of notebook computers, tablets, and servers have increased. In addition, the demand for 5G smart phones, electric vehicles and other automotive electronics has increased, which has boosted the production capacity of wafer foundries and memory plants. The utilization rate is full. The Company has recently successfully acquired the MEP construction and fire protection works for Formosa Plastics' Shenggao Mailiao 12-inch wafer fab and the expansion project of Phase 9-3 nitrogen plant in Taishan of Nanya Technology Corporation (NTC). This helps the Company in deepening its involvements and reaching accomplishments expanding into the semiconductor industry. In addition, the Merck KGaA, a world-renowned semi-conductor material supplier, has built the Merck Kaohsiung Semiconductor Technology Park at the Southern Taiwan Science Park-Kaohsiung Science Park to introduce multiple product lines in the technical fields of thin film, patterning, and special gases for the advanced semi-conductor production process. The Company has also obtained relevant design and planning cases, actively seeks the follow-up turnkey projects, which will be of great help to the Company's layout in the semi-conductor industry and specialty chemicals industry in the future. The projects completed by the Company in the past include the following: Clean room construction of Zhunan Factory of TacBright Optronics Corporation; M&E/air-conditioning/clean room construction of Yuanli Factory of Everlight Electronics Co., Ltd.; construction/E&M/clean room turnkey project for Bade Plant of UBRIGHT OPTRONICS CORPORATION; Nanke Fab 5 (TFT-LCD) of Chimei Innolux Corporation; wafer crystal growing fab of Episil-Precision Inc. in Hsinchu Science Park; Zhunan Fab of INPAQ TECHNOLOGY CO., LTD.; mechatronics/clean room of iTEQ; new clean room of Tripod (Wuxi) Electronic Co.,Ltd.; expansion of Kunshan Factory of Wus Printed Circuit (kunshan) CO.,LTD.; construction of Hefei Factory of Radiant Innovation Inc.; plant M&E/air conditioning/clean room of Singapore Gaode Electronics

(Wuxi) Co., Ltd.; M&E/air conditioning/clean room of Fujifilm Imaging System (Suzhou) Co., Ltd.; mechanical and electrical engineering of ASE ChungLi Plant.

③ Public works:

In order to promote economic development, the government has also continued to increase investment in public works and accelerate budget execution, resulting in a significant increase in the number of engineering procurement tenders. The Company used the various experiences and advantages it has accumulated in various engineering industries in the past to successfully win the projects on the Taichung Shuinan International Convention and Exhibition Second Phase; Taipower Zhongshan D/S reconstruction and Daan-Zhongshan 161kv line buried shield tunnel construction project- ancillary mechanical and electrical equipment engineering and Taipei City Government's No. 1 Fruit and Vegetable Market and Wanda Fish Wholesale Market electrical and air conditioning turnkey project. Other ongoing and completed projects: Taichung Shuinan International Convention and Exhibition Center Phase 1 - mechanical and electrical engineering, MRT 3rd ring road 3-Wanda Line M&E project; environmental control turnkey project; Taoyuan Airport tower and overall park new M&E turnkey project; Taipower Gaogang-Dalin high-voltage cable tunnel M&E turnkey project; Zhuyuan Extra-High Voltage Substation Export 161KV cable tunnel M&E turnkey project; Daan-Songhu 345KV tunnel M&E turnkey project; Taipei Port multi-purpose warehouse construction; MRT Songshan Line G19 Station Entrance B and utility power facilities and G18 Station Entrance B/Vent Shaft X (including connecting passages), water, electricity, environmental control engineering, elevator and escalator engineering; and, remote digital surveillance system construction for New Taipei City Police Department, and electrical and mechanical engineering and environmental control system engineering for Xinzhuang and Songshan MRT lines.

④ On residential buildings, commercial buildings, hotels and general construction projects:

The projects in progress and completed include the following: The new construction of the Science and Technology Laboratory Building of Fu Jen Catholic University; the new M&E turnkey project of the Environmental Change Research Building of Academia Sinica; the M&E turnkey project of the D/S multi-purpose complex of Taipower Fu-Ho D/S; the new M&E fire safety turnkey project of the Taichung Headquarters Building of Giant Manufacturing Co. Ltd.; new International Tourist Hotel of Cosmos Hotel in Hualien; new Huiguo Commercial Building in Taichung; new construction of Wong Chio's More in Xinzhuang; White Jade Bieyuan Residence by Dajie Construction Co., Ltd.; apartment complex in Zhongping Section, Taoyuan, Taipei Office M&E and renovation works for MediaTek Inc.; new construction of international student dormitory for Chung Yuan Christian University and Yang-Ming University; new construction of Taichung City Center Building; air-conditioning engineering of Learning Resource Building of National Tsing Hua University; and mechanical and electrical engineering of hotel in Taitung of Papago International Resort.

⑤ Clean energy, environmental protection, and intelligence:

In recent years, in response to the global climate change, net zero carbon emission target, circular economy and corporate sustainability, ESG will be regarded as a new opportunity to strengthen corporate competitiveness and enhance corporate value. The Company has long been committed to the R&D of green projects and circular economy technologies. In addition to introducing the energy-saving solutions developed by the Company into various fields, the Company also applies the professional and technical system integration accumulated over the years to practical experience and cooperates with its partners, and continue to provide customers with more services that are in line with the concept of corporate sustainability and the circular economy to help customers achieve their carbon neutrality goals and strive for more potential ESG engineering business opportunities.

The Company has successfully entered the arena of energy and environmental protection for the development of EPC turnkey project for the resource recovery furnace by acquiring the construction of the new resource recovery furnace plant from Chi Mei Corporation. This support our work in assisting customers and the Company to realize social sustainable development and corporate goals for friendly acts to the earth. In addition, in the field of intelligence, the Company has already acquired the electrical and water supply and drainage engineering project for the new construction of the Tucheng AI Park by BES Engineering Inc.. We will utilize our professional techniques in mechatronic systems integration engineering in combination with the self-developed energy management system by LNT Technology Co., Ltd. invested by the Group, and integrate related light-current and information communication system manufacturers to provide customers with comprehensive intelligent services in order to accelerate business development through EPC + intelligent value-added integrated services.

A. Energy management system:

The Company assists customers with the introduction of energy management systems to provide monitoring of in-plant equipment and instruments. Through energy information visualization, the Company collects energy data and integrates information. This helps to detect losses arising from abnormalities of equipment operation, mistakes by personnel during use, and raises efficiency for energy-saving strategies. Concurrently, the managing personnel can get hold of the real-time equipment operation status, comprehensive energy consumption analysis, and abnormal operation information to achieve the goal of energy efficiency improvement.

After the introduction of the energy management system, we can continue to strengthen the monitoring of various production process such as water, steam, electricity and raw material transportation to ensure a smooth supply, and

optimize monitoring and adjustment within the controllable range to meet the needs of the process. This can also improve product quality and realize the automation of production and product management, to achieve the goal of reducing energy use and moving towards a smart factory.

B. Intelligent system:

Energy management system is the foundation for further introducing factory intelligence. The Company assists customers in introducing related technologies for factory intelligence, such as IoT, artificial intelligence, big data, cloud computing, and network security. Obtain the energy consumption and usage status of in-plant systems and equipment, integrate ERP, MES and other in-plant system information, and store it in the back-end big data database system. Cloud computing technology is used for compilation and analysis, and artificial intelligence is introduced to improve production efficiency. Reduce wasteful energy consumption in factories and improve equipment efficiency.

In addition to the integrated energy management system, the Company has developed a smart factory system that includes smart factory management, situation room, optimization of processes and utilities, predictive maintenance, and environmental quality and safety management. In the future, we will continue to assist customers in energy conservation and emission reduction, aiming at carbon balance and net zero emissions, reducing the use of energy such as oil, gas, water, electricity, coal, improving energy efficiency (load factor), and reducing energy costs. Optimized solutions to help customers achieve the global task of energy conservation and carbon reduction, and obtained ISO50001, ESG, RE100 and other related certifications.

4. Long-term and short-term business development plans

(1) Short-term development plans

The Company is one of the few contractors in Taiwan that can undertake EPC turnkey projects for medium-to-large-scale industrial process plants and public works. Its industries cover petrochemical/chemical, high-tech, public works, energy and environmental protection, and biotech and pharmaceutical fields, with professional background spanning over production process, civil engineering, construction, machinery, chemical engineering, instrument control, water, electricity, fire protection, air conditioning, clean rooms, and light-current. We have accumulated years of practical experience in project management in the professional technology of system integration from planning and design, procurement services, construction supervision, system integration, commissioning to operation and maintenance.

In response to the global trend of net zero carbon reduction, the petrochemical industry has gradually shifted its investment in high-value and specialty chemical products, energy storage battery materials, and increased investment in other clean energy sources. In addition, due to the continuous innovation of the information and communication industries, driving the global development of Internet of Things, artificial intelligence, electric vehicles, robots, cloud data centers, smart manufacturing, smart cities, and smart medical care, there are still booming business opportunities for the development of related industries in the long run. Therefore, the Company will continue to strengthen the aforementioned core competencies and combine corporate social responsibility and sustainable thinking with business development strategies to enhance value-added innovative business and the expansion of environment/energy, sustainable development, circular economy and other related fields.

A. Core business areas

① Petrochemical/chemical industry

In response to the global trend of net-zero carbon reduction and the pressure to achieve the carbon neutrality goal by 2050, petrochemical/chemical industries have started to transition towards high-value products materials (such as, specialty chemicals, electronic grade chemicals, battery energy storage materials) development. Demands for electronic grade solvents for specialty chemicals, polishing fluids and photoresists developed in semi-conductor production processes, equipment and materials for product delivery/recycling, and gas supply products are still strong. The Company continues its work with the current Formosa Plastic Group and CPC Corporation, Taiwan related petrochemical/chemical projects, and will increase expansion on specialty chemicals product business through the following projects which we have already acquired: Shiny Chemical Industrial Co.,Ltd., Kaohsiung Pier 13 Storage and Transport Fire Prevention EPC Engineering; Nanya Technology Taishan DRAM Plant Phase9-3 nitrogen plant turnkey engineering; and semiconductor materials company Merck KGaA Merck Kaohsiung Plant OSIII and TMA design plan. We will also focus on process optimization, smart product line, smart whole plant factory equipment and smart green building planning following the investment footsteps of customers. Furthermore, we will introduce application of Computational Fluid Dynamics (CFD) in simulation planning, Aveva E3D Design (formerly AVEVA PDMS), Building Information Modeling and so on 3D software building modeling as a reference basis for construction and maintenance. This can provide the business owners enhanced efficiency and lowered factory construction costs. It will also comply with the current international environmental protection regulations and carbon neutrality goals.

② High-tech industry

In recent years, with continuous innovation and rolling out new information and communication technology and

consumer electronics products, it has driven the semi-conductor technology manufacturers and related supply chains to continue to expand investment. According to an analysis by Market Intelligence & Consulting Institute (MIC), even though the 2023 inventory level from terminal to system factories to related semiconductor chip supply chain suppliers is all too high, it is estimated that the production value in 2023 will grow slightly by 1.7%. In addition, the foundries will revise downward its capital expenditures, the DRAM supply and demand will continue to expand with the price collapsing at a rapid rate. The problem of chip shortage has been greatly eased, but the supply chains of various application fields are still faced with the long term and short term problems of material. For example, the production capacity gap of automotive semi-conductor remains. With the USA and China trade war escalating, well-known corporations from various countries are increasing investment scale in the Taiwan market. Hence, the high-tech industries will continue to innovate and grow. The Company will continue to accumulate industry achievements and upgrade related expertise by virtue of the newly-built MEP 12-inch wafer fab II of Formosa Sumco Technology, the fire protection turnkey projects, and semi-conductor specialty chemicals related projects. We want to cultivate deeply in the related industries of semiconductor and high technologies. The BIM technologies have also been introduced throughout the entire construction process in enhancing the technology capability for spatial review in order to reduce any troubles from pipeline collision during construction. This can improve accuracy of construction in achieving the benefits of improved project quality and shorter construction period.

③ Public works

Despite the lack of work and materials in the construction industry due to the pandemic and the Ukraine-Russian war in 2022, the government continues to increase investment in public construction in order to revitalize the economy. Various construction plans focused on the development of the six major cities and the scale of these projects are increasing day by day. These projects are valued up to billions of dollars, such as, projects for MRT system, ultra-high vacuum (UHV) underground cable tunnel projects, public buildings and social housing, school buildings, and dormitories. Procurement tenders have been initiated for many large projects subsequently. Thus, there are ample opportunities. The Company has received acclamation from satisfied clients for the following projects: Shuinan International Conference and Exhibition Center Phase I - Electrical and Mechanical Engineering for the Construction Bureau of Taichung City Government; Taichung City Shuinan International Conference and Exhibition Center Phase II; Taipei MRT Wanda-Zhonghe-Shulin Line Phase I Section Contract CQ870 Construction - CQ814 hydropower environmental control engineering; and, Refurbishment Turnkey Engineering Project Electrical and Air Conditioning Engineering for 1st Fruits and Vegetables and Wanda Fish Wholesale Market of Taipei City Government. The Company has been awarded with Gold Safety Award for outstanding engineering in 2022 by the Construction Bureau of Taichung City Government for the Shuinan International Conference and Exhibition Center Phase I Project. We will continue to devote fully to selecting and seizing suitable tender projects based on our existing advantageous conditions.

④ Clean energy and environmental protection related industries

In response to the global trend of net zero carbon emission, circular economy and sustainable business operation, the clean energy and environmental protection related industries will continue to be active in the future. Taiwan relies mostly on imported energy. Under the current circumstance of absence of an effective alternate plan, the government has established related renewable energy laws and policies, and created engineering projects opportunities in the clean energy and environmental protection related industries. Foreign companies are also attracted to come to Taiwan and they have established themselves in the Taiwan market in the renewable energy and environmental protection industries such as hydrogen energy, geothermal energy, and offshore wind power. In addition, as the government's energy policy specifies that natural gas power plants will be used in replacement of coal-fired power plants, a new wave of government and private sector investment in natural gas power plants are introduced. This has led to the development in LNG related pier storage and transport facilities engineering. The Company took the opportunity to enhance its professionalism in environmental protection related industries through the acquired new resource recycling furnace plant project from Chi Mei Corporation. We also make use of the system integration capability of our own EPC turnkey project to actively acquire projects relating to waste incineration plant, natural gas receiving stations related facilities, off-shore wind power related facilities and environmental sustainability and renewable energy.

⑤ Biotechnology, Medical, and Pharmaceutical Industries

The aging population worldwide has increased the demand for medical care in developed and emerging markets. In recent years, the advancement and application of science and technology have led to breakthroughs in biotechnology. Under the strong guidance of the government, it has led to the booming development of the pharmaceutical industry, medical material industry, and applied biotechnology industry. The integration of Taiwan's biotechnology and pharmaceutical industries with international standards, PIC/S GMP compliance, has secured overseas market opportunities. Hence, there are many investment plans, such as, Nangang Biotech Cluster, The Hsinchu Biomedical Science Park, The Central and Southern Taiwan Science Park, Pingtung Agricultural Biotechnology Park, and the Yilan Science Park all continued to expand. In addition, the government has set the goal to develop Taiwan into the Asia-Pacific biotech R&D industrial center in the future. The Company shall actively strive for the related plant construction business based on its accumulated past and present experiences, such as the recently completed Nanya Forest Blood Bag Factory Project. we will continue to enhance our specialization in the biotechnology, medical, and

pharmaceutical industries.

B. Value-added innovative services

The accelerated innovation in the information and communication industries has resulted in the rapid development of smart factories, smart buildings, and smart medical care industries. These industries will ultimately gather and develop toward smart cities. Only smart cities can achieve net zero carbon emissions and sustainable development goals. The Company has invested in LNT Technology Co., Ltd. and developed our own energy management system that helps customers collect energy data and integrate information which are visualized. It can help to discover abnormality and loss in equipment operations and errors in usage by personnel and support the formulation of energy saving policies to enhance energy efficiency. In the future, we will continue to deepen the monitoring of water, steam, electricity and other energy sources and raw material transportation in each production process to optimize monitoring and adjustment within the controllable range of production to achieve the goal of reducing energy usage moving towards smart factories and smart buildings.

With the acquisition of the new construction of the Tucheng AI Park by BES Engineering Inc., the Company will utilize our professional technology of mechanical and electrical system integration to further integrate 5G+AIoT related information and communication system manufacturers. It will be in line with the concept of integration of virtual reality, artificial intelligence and the Metaverse in the future utilizing BIM and Digital Twin to provide comprehensive intelligent service that realizes the value and innovation of the Company and accelerates the prospect of business opportunities through EPC + intelligent value-added integrated service.

C. Sustainable Development, Resource Integration, Circular Economy

In response to the mega trends of global climate change, net zero carbon emission target, circular economy and corporate sustainability, the Company has established the Corporate Sustainability Committee and has identified four major aspects to devote to in Sustainability Engineering, Environmental Protection, Social Co-prosperity, and Corporate Governance. We are dedicated to investing in green innovation, and the R&D of technologies for the circular economy. In addition to introducing the energy management system developed by the Company into various fields, we will also strengthen our professionalism and integration capabilities to explore collaborative efforts to provide customers with more services that are compliant with the concept of corporate sustainability and the circular economy, in order to help customers achieve their carbon neutrality goals, and strive for more business opportunities in ESG projects. The actual achievements of the Company related to green engineering over the years include: Photoelectric cloud wall project (195KW/green power) for the National Museum of Taiwan History; MGGH&WESP mechanical large contract project for adding MGGH & WESP to Mailiao FP2 (environmental protection); China Steel Corporation's Kaohsiung #6 boiler de-installation project on nitric acid equipment renovation (environmental protection); US Huntsman's polyester polyol expansion project (environmental protection and circular economy); Taichung International Convention and Exhibition Center Phase 1 and 2 (green buildings); Taichung City Government Building Construction of New Civic Center projects (green buildings). Meanwhile, the Company also continues to implement safety and health management, and has introduced the ISO-14001 environmental management system and combined with the ISO-45001 Occupational Safety and Health Management System to ensure that all employees, collaborators and other work partners can work in a safe and friendly working environment, make smooth completion of the construction and go home safely.

The Company has built factories, factory offices and buildings with achievements in various industries. In addition to the mechanical and electrical system integration, which the Company is good at, it also includes professional technical services such as energy management, equipment networking, smart factories, and smart buildings. We have successfully linked circular economy with social responsibility and environmental protection. In the future, we will also include ESG issues as an integral part of our turnkey projects for petrochemical/chemical engineering and industrial plant construction, high-tech plant construction, and mechanical and electrical system integration for public works to contribute to the Company's environmental and social responsibilities.

Practical cases of circular economy and environmental protection of the Company (I): Installation of MGGH & WESP at Mailiao FP1 and FP2.

The 600MW*2 (FP1 and FP2) generating sets of the Liuqing coal-fired power plants of MAI-LIAO POWER CORPORATION use supercritical double-flow boilers. The design of the environmental protection equipment mainly consists of the Selective Catalytic Reduction (SCR), dry electrostatic precipitator (ESP), and Seawater Flue Gas Desulfurization (FGD) to reduce nitrogen oxides, particulate matter and sulphide emissions, and are designed and operated in accordance with the environmental impact assessment standards. However, in order to face the environmental protection issues that will be paid more attention to in the future, apart from controlling the concentration of total suspended particulates in the stacks of coal-fired power plants, the control of fine aerosol (PM2.5) will inevitably be higher and the desulfuration by wet processes of flue-gas will lead to the visual pollution

of "white smoke" emitted from the stacks. Even though the emission data meets the environmental protection requirements, the white smoke from the stacks still causes unpleasant impression to the outside world. On the basis of social corporate responsibility and to enhance corporate image, the Company has assisted customers in upgrading wet electrostatic precipitator (WESP) and water-borne flue gas heaters (MGGH) and other environmental protection equipment in order to bring the emission closer to the emission standards of natural gas generating sets. By the end of 2021, all six coal-fired power generating sets will be upgraded to achieve better clean and low-pollution emission targets.

The installation of a wet electrostatic precipitator system (WESP) can reduce the concentration of dust and mist at the stack outlet to below 5mg/Nm³, achieving substantial pollution improvement, far exceeding the latest national standard (20mg/Nm³). The addition of a water-borne heat exchanger (MGGH) to reduce the flue gas temperature and the synergistic effect generated can strengthen the collection of dust, acid, mist, mercury and other pollutants, and further reduce the hazards of fine aerosols (PM_{2.5}).

The Company assists customers in achieving emission reduction, improving regional ambient air quality, alleviating environmental concerns of enterprises and the public, and promoting mutual assistance and co-prosperity. (Relevant information is quoted from MAI-LIAO POWER CORPORATION)

Example of circular economy and environmental protection (II): Renovation of denitration equipment for boilers #6, #7, and #8 of Kaohsiung Power Plant #2 of China Steel Corporation.

The addition of boiler DeNO_x equipment at the Kaohsiung Plant of China Steel Corporation mainly includes materials and accessories such as updating of low-NO_x burners, updating of SNCR equipment system, new SCR equipment system, and new addition of related electrical instrumentation and control pipelines.

This case is a collaboration between the Company and the US-based Fuel Tech. Fuel Tech provided professional technologies to improve the design of the denitration system for China Steel Corporation's boilers, while the Company was responsible for the on-site construction equipment installation. The main work items include: Replacement of low NO_x burners and SNCR system installation, SCR equipment individual hoisting, SCR equipment supporting steel structure fabrication and processing, steel structure hoisting, on-site steel structure platform modification and replacement, equipment component bolting and assembly welding, electrical instrumentation equipment installation, and installation of new pipelines.

China Steel Corporation has completed a number of air pollution improvement projects such as the denitration equipment for No. 6-8 boilers, the sintering and denitration equipment for No. 1-4, and the equipment renovation of No. 1 heating furnace in the steel plate workshop, and the heating furnace for the rolling production line. NO_x emission can be greatly improved. China Steel has implemented various air pollution improvement measures, such as automatic Continuous Emission Monitoring System (CEMS), and declares air pollution emission volume on a quarterly basis in accordance with the Air Pollution Control Act.

Through this project, the Company connected with the construction supplier ecosystem of the China Steel Plant, and learned the valuable and rare experience related to the denitration project of the power plant to improve its own design capabilities and construction experience, so as to contribute to the global climate and environmental protection industries in the future, in order to achieve the Company's business goals. (Relevant information is quoted from China Steel Corporation)

Example of circular economy and environmental protection (III): The case of the American chemical group Huntsman/Taoyuan Kuan Yin Plant.

On October 21, 2020, the American chemical group Huntsman's Taoyuan Guan Yin Plant was expanded and entered into operations. The Company adopted the innovative PET recycling technology of the Huntsman Group to carry out the design, procurement, and construction for the expansion to the overall engineering service. Satisfied with the commissioning of the first phase of plant expansion, American chemical group Huntsman continued to commission the Company to design and construct the second phase and other related works in 2021 to continue expanding the production capacity of this plant.

The Huntsman Group has the patented technology to recycle PET bottles into polyurethane, and use the polyurethane material for the production of thermal insulation products for the food supply chain, environmentally friendly adhesives, thermal insulation, and automobiles. Before the expansion of Guan Yin Plant, Huntsman was able to lay 160+km of insulated pipes each year, benefiting 11 million people with clean heating, saving 97 million tons of water, 180 million kW of power, and 7.5 million tons of CO₂ reduction. PM₁₀ emissions were reduced by 6,800 tons, VOC emissions were reduced by 15,000 tons, and coal-fired smoke stacks were reduced by 5,400+ tons.

The Huntsman Kwan Yin Plant covers an area of 3,600 square meters with a total investment of US\$18.9 million. The plant converts PET plastic bottles into polyurethane materials. After the first phase of the Huntsman Kwan Yin Plant gets online, it will consume 440 million recycled PET bottles of 500 milliliter each year which its length can

go around the globe twice. It is also a good example of environmental sustainability, energy conservation, and a circular economy. The PET bottles entering landfills or rivers and oceans are significantly reduced leading to less harm generated to the environment, saving more water and power, reduced CO2 emissions and PM10 emissions.

The Company is honored to assist the Huntsman Group in completing the plant expansion plan and to complete the first phase of construction from design to construction as scheduled. The Huntsman Guan Yin Plant entered into smooth operations as we achieve zero work hazards of work safety standards during the construction period of the entire plant and production line. The plant continues the recycling of PET bottles and contribute to the protection of the environment and the earth. (Relevant information quoted from Huntsman Corporation)

(2) Long-term development plan

① Development of new technologies, new construction methods, and expansion into new fields

In response to the global climate change, net zero carbon emission target, circular economy and corporate sustainability, ESG will be regarded as a new opportunity to strengthen corporate competitiveness and enhance corporate value. The Company has long been committed to the research and development of green projects and circular economy technologies. In addition to introducing the energy-saving solutions developed by the Company into various fields, we also use our own system integration capabilities for EPC turnkey projects, combined with collaborations with professional and international suppliers, we continue to upgrade and develop new technologies, and provide customers with more services that are in line with the concept of corporate sustainability and the circular economy. We help customers to achieve carbon neutrality goals, and then strive for more potential ESG engineering business opportunities and step into new fields.

② Develop EPC+ system integration value-added innovative services to create competitive differentiation in the market

In recent years, the Company has grown into a medium-to-large-scale EPC engineering contractor. In the future , 5G, AIoT, and AI products and technologies will inevitably become an integral part of engineering construction. The Company will apply its decades of engineering experience integrating professional experience and foundation, connect all related engineering interfaces, establish a new engineering platform, and use smart design tools to closely combine project management and professional technology to maximize work execution efficiency and strengthen overall team synergy. The framework (IT+OT+ ET) 3T integrated EPC+ system integration value-added innovative services provide customers with substantive and complete solutions and demonstrate the difference from competitors.

II. Overview of the market and production and sales

(I) Market analysis

1. Locations where products or services are mainly sold or provided

		In Thousand of New Taiwan Dollars			
Items	Year	2022		2021	
		amount	%	amount	%
Domestic sales		2,458,496	100.00%	1,796,017	100.00%
Export sales		0	0.0%	-24	0.0%
Net sales revenue		2,458,496	100.00%	1,795,993	100.00%

2. Market share

As mentioned above, the Company's business focus is the petrochemical industry, high-tech electronics industry, and public works business. In recent years, the Group has reinvested and established Grade-A construction plants and construction companies, and expanded its business to hotels, stores, and high-rise commercial/residential areas. Not only has the Company further expanded the scope of engineering services to include M&E turnkey construction, it has also allowed the Company to transform and respond appropriately when the macro environment changes.

However, as the Company's business fields are quite diverse and their competitiveness is different from each other, it is impossible to clearly determine the market share.

3. Supply and demand and growth potential of the market in the future

Although the world is still affected by the COVID-19 pandemic in 2022, vaccination coverage continues to increase and the easing of lockdowns and restrictions in various countries have led to social activities gradually returning to normal, which will drive the recovery of the global economy, and the world will slowly return to the normal operation track of before the pandemic. However, due to the Sino-US trade war, global inflation, the Russia-Ukraine war, and geopolitics, the global economy is still in an unstable state.

In response to the global trend of net zero carbon reduction and the continuous innovation of the information and communication industries, driving the development of clean energy, circular economy, Internet of Things, artificial intelligence, electric vehicles, robots, cloud data centers, smart manufacturing, smart cities, and smart medical care, and related industries, there are still prosperous business opportunities in the long run. The future prospects of the market are as follows:

- (1) Companies in the petrochemical/chemical industries have begun to invest in high-value products and semiconductor technology giants, and related supply chains. Many well-known enterprises are subsequently increasing their scale of investments in Taiwan in addition to the returning of Taiwanese businesses. Investments in new construction or expansion of production capacity present potential business opportunities.
- (2) The promotion of commercial buildings and public works is the engine that drives the domestic economy. To promote economic development, the government continues to expand investment in public works and accelerate budget execution. In addition, the government also channeled private funds into public works and made good use of BOT and OT to complete many projects. Public construction projects have also increased significantly.
- (3) Benefited from the government's continued promotion of clean energy policies, the European Union will introduce a carbon tax on imported goods in 2023, and ESG sustainability issues, domestic and foreign manufacturers have invested heavily in renewable energy and environmental protection industries, including waste incineration facilities, LNG natural gas receiving station, offshore wind power related facilities, geothermal energy, biogas, and biomass energy. In addition, the petrochemical industry is a high emission source of pollution. In the future, it is bound to actively research and develop, improve and optimize production processes to achieve net zero carbon emissions and circular economy goals, which will create more business opportunities for industrial innovation and engineering services.
- (4) The COVID-19 pandemic may become the norm in the future. Coupled with the rapid innovation of the information and communication industry, the smart factory, smart building, and smart medical industry are developing rapidly. In this way, the power of technology can reduce corporate operational risks, improve production efficiency, and reduce production costs. The complete solution of EPC + innovative service that integrates (IT+OT+ET) into 3T based on professional engineering capabilities will become a new trend in the future.

4. Competitive niche

(1) Excellent reputation and outstanding engineering performance

It has been 41 years since the Company was founded. As one of the few domestic contractors capable of undertaking mid-to-large-scale industrial process plant EPC turnkey projects and public works in the fields of petrochemical/chemical, high technology, public works, energy and environmental protection, and biotechnology and pharmacy, our professional technology of system integration has accumulated from many years of practical experience in project management. We are also one of the few engineering companies in Taiwan that can step into different industries at the same time. Compared with other peers, it can effectively reduce the economic cycle of operation risk. In addition, the Company has obtained the ISO-9001 quality management certification and also continues to implement safety and health management, and has introduced the ISO-14001 environmental management system and combined with the ISO-45001 Occupational Safety and Health Management System to ensure that all employees, collaborators and other work partners can work in a safe and friendly working environment making smooth completion of the construction.

(2) Professional engineering and technical personnel and strict cost control

The Company mainly provides services to business owners in the form of projects. The core supervisors have more than 20 years of experience in the industry and have accumulated considerable experience in project management. A complete and detailed database of related projects is established through the case closure reports, in order to reduce the design cost of the connection. In addition, the Company also attaches great importance to the control of construction costs, and adopts a systematic approach from bidding cost estimation to procurement outsourcing mode and timing control. In addition to improving work efficiency, it can also effectively control risks.

(3) Continue to strengthen core professional capabilities and enhance value-added innovative services

The Company has focused its development on two major areas: Core business areas and value-added innovative businesses. In addition to continuing to strengthen existing competitive advantages, we have also worked with partners to respond to changes in the external environment. Expand the integration of professional technical services such as energy management, equipment networking, smart factory, and smart buildings, and successfully integrate the circular economy with social responsibility and environmental protection to realize the Company's value and innovation, and to add value through EPC + smart integrated services expediting business opportunities.

5. Favorable and unfavorable factors for the development prospect and countermeasures

(1) Favorable factors

As mentioned above, the reshuffle of the global supply chain and the implementation of the new policy direction will bring many engineering business opportunities. Customers are paying more attention to quality, choosing quality contractors carefully, and paying attention to sustainable development trends and ESG issues, which also contributes to the positive development of the engineering market.

(2) Unfavorable factors and countermeasures

① Low price competition

Due to the large number of participants in various engineering fields in Taiwan, the proprietors still choose the lowest bidder to win the bid, resulting in increasingly fierce competition in the operating environment of the engineering industry.

Countermeasures:

Provide owners with process optimization and smart manufacturing production line process planning solutions to help achieve the goal of net zero carbon emission and a circular economy, thereby reducing operational risks and costs for owners. The Company offers good construction management capabilities and quality engineering services, strengthening the trust and acknowledgement by the owners. In addition, the Company will increase the contracting rate of construction projects with higher grades or larger amount of money to increase the bid-winning rate and maintain individual case profit. In addition, the Company also strengthens its competitiveness through the establishment of stable cooperative relations with suppliers and effective cost control.

② Raw material prices continue to fluctuate

In recent years, due to the impact of COVID-19 prevention measures, trade barriers, oil price fluctuations, and the war between Russia and Ukraine, raw materials have fluctuated greatly. It is difficult to control costs, and management risks are increased.

Countermeasures:

Shorten the design process, grasp the quantity of materials purchased as soon as possible, and shorten the procurement process to speed up the order signing time. In addition, the Company has adopted exchange rate hedging measures for purchased equipment to reduce procurement costs.

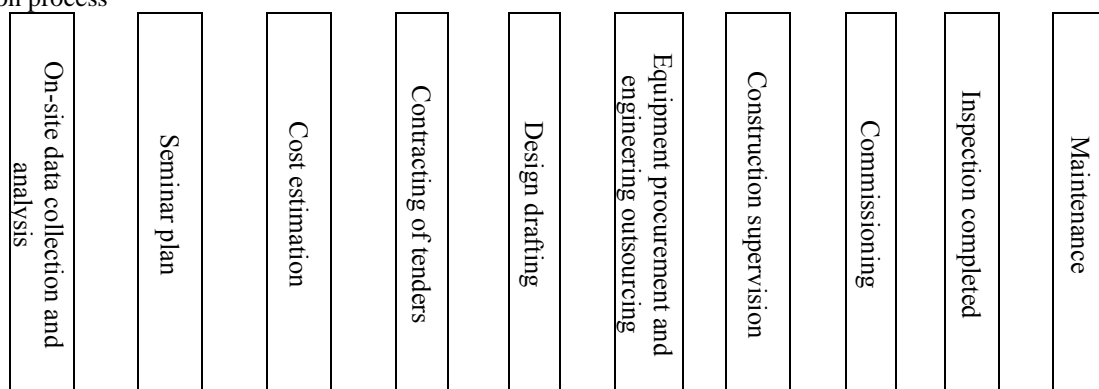
(II) Important uses and production processes of the main products

1. Important uses of the main products

Main products	Purpose
Petrochemical, chemical engineering and public works	Planning, design, construction, and construction of petrochemical, chemical and public works.
Construction of hotels, stores, commercial offices, and residences	Design and construction of water, electricity, air conditioning, fire protection and intelligent weak current systems.
Electronics, semiconductor and clean room engineering	Plant construction evaluation, planning and design of mechanical and electrical systems; water, ultra-pure water, wastewater and waste gas treatment engineering planning, design and construction; whole plant planning and design of air-conditioning sterile clean room projects for electronic high-tech industries and semiconductor industries, and construction and building.
Solar/renewable energy	System design, planning, and construction of turnkey projects, and parallel connection with the Taiwan Power Company (TPC) power supply system and subsidies application.
Environmental engineering	Pollution prevention and purification.
Biotechnology Engineering	Production method design, basic/detailed design, fermentation tank, sterile room design and construction, whole plant design and construction
Clean room equipment	Design and manufacturing of clean room equipment

The Company's main products are the provision of professional and technical services related to factory construction to owners, such as assessment, planning, design, supply of equipment, construction supervision, construction, commissioning, and maintenance. For the owner, if the engineering company has experienced professionals, excellent design ability, exquisite construction technology, strict quality control, perfect progress control and stable financial status, the construction business undertaken by the company is guaranteed. It can be successfully completed under the principle of economy, and can achieve the goals of good quality and best efficiency. Therefore, with the abundant experience accumulated over the years and the continuously updated and advanced technology, the Company can provide the owners with the most complete engineering and technical services, so that the factory can complete the production smoothly within the budget, achieve the investment benefits as soon as possible, create profits, create employment opportunities, and enable the country's economy to grow steadily.

2. Production process



(III) Supply of main raw materials

Category	Main raw materials	Supply status
Civil engineering	Ready-mix concrete, rebar	Domestic supply, normal
Steel structure	Steel and iron products	Domestic supply, normal
Electricity	Switchboard, components in the board, cables, transformers	Domestic supply, normal
Dashboard	Detection component, control component	Domestic and foreign supply, normal
Pipeline	Plastic pipes, iron and steel pipes, valves	Domestic supply, normal
Equipment	Pump, compressor	Domestic and foreign supply, normal
Equipment	Motor	Domestic and foreign supply, normal
Equipment	Generator	Domestic and foreign supply, normal
Equipment	Fire-fighting equipment	Domestic supply, normal
Equipment	Inverter	Domestic supply, normal
Equipment	Water chiller	Domestic and foreign supply, normal
Equipment	Tower and trough	Domestic supply, normal

The Company undertakes the turnkey construction projects commissioned by the owners to perform these professional operations. Therefore, in addition to the design, it is also responsible for the procurement of equipment, construction, and construction machinery and tools. Although the supply of equipment and construction labor are often in shortages due to market changes, the equipment purchased by the Company are all from reputable suppliers, and the direct labor required is supplied by the contractors that have cooperated with the Company for a long time. Therefore, there has been no circumstances of shortages in equipment and material supply or labor that affect the construction period.

(IV) Names, purchase (sales) amounts, and proportions of customers that accounted for more than 10% of total purchases (sales) in any of the previous two years, and explain the reasons for such changes

1. Suppliers whose purchases accounted for more than 10% of the total purchases in any one of the past two years:

Information of major suppliers in the past two years

Unit: In Thousand of New Taiwan Dollars

2021				2022			
Title	amount	As a percentage of the annual net purchase [%]	Relations with the issuer	amount	As a percentage of the annual net purchase [%]	Relations with the issuer	
Others	1,438,496	2011	—	Others	1,880,935	2011	—
Net purchase	1,438,496	2011	—	Net purchase	1,880,935	2011	—

More than 90% of the Company's operating income comes from the engineering business. Since the Company undertakes various turnkey projects and subcontracts them to various subcontractors, the suppliers who accounted for more than 10% of the total purchases are the sub-contractors. Furthermore, as the contracted works are in different regions, under the limits of geographical conditions, the sub-contractors are different too based on the different project locations. Hence, the differences as a result.

Customers whose sales accounted for more than 10% of the total sales in any one of the past two years

Information on major customers in the past two years

Unit: In Thousand of New Taiwan Dollars

2021				2022			
Title	amount	As a percentage of the annual net sale [%]	Relations with the issuer	Title	amount	As a percentage of the annual net sale [%]	Relations with the issuer
C	662,811	36.91	None	C	876,774	35.66	None
D	269,415	15.00	None	T	406,848	16.55	None
T	234,294	13.05	None				None
Others	629,473	35.04	—	Others	1,174,874	47.79	—
Net revenue	1,795,993	100.00	—	Net revenue	2,458,496	100.00	—

The Company provides mechanical and electrical system engineering integration services in the form of projects. Since the service targets of individual projects are mostly different and scattered in various places, the customers who have accounted for more than 10% of the total sales in any one of the recent two years are the construction projects undertaken by the Company and vary from case to case.

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

Unit: In Thousand of New Taiwan Dollars

Year	2021			2022		
	Capacity	Volume	Value	Capacity	Volume	Value
Production volume and value Major commodities						
MRT, power plants, air-conditioning electromechanical systems, and public works	-	-	535,505	-	-	757,781
Petrochemical and chemical engineering	-	-	1,049,518	-	-	1,408,049
Others	-	-	80,413	-	-	72,873
Total	-	-	1,665,436	-	-	2,238,703

Note: Unable to list the production capacity and volume due to the fact that the design, system assembly and construction of the cases undertaken were carried out by the Company according to the specifications required by the client. As each case is not similar in nature, each has its own independence, and there is no consistent statistical unit for the quantity.

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

Unit: In Thousand of New Taiwan Dollars

Year	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Sales volume and value Major commodities								
MRT, power plants, air-conditioning electromechanical systems, and public works	-	559,638	-	0	-	706,619	-	0
Petrochemical and chemical engineering	-	1,144,524	-	-24	-	1,655,171	-	-
Others	-	91,855	-	0	-	96,706	-	0
Total	-	1,796,017	-	-24	-	2,458,496	-	-

Note: Unable to list the sales volume due to the fact that the design, system assembly and construction of the cases undertaken were carried out by the Company according to the specifications required by the client. As each case is not similar in nature, each has its own independence, and there is no consistent statistical unit for the quantity.

III. The number, average years of service, average age, and distribution of education attainment of in-service employees during the most recent two years

Year		2021	2022
Number of employees (person)	Direct personnel	155	168
	Indirect personnel	58	44
	Total	213	212
Average age		47.62	47.67
Average years of service		7.72	8.11
Distribution of education attainment (%)	Doctoral degree	0.00%	0.00%
	Master's degree	8.45%	8.96%
	Bachelor degree	46.01%	46.23%
	Junior College	32.86%	33.96%
	Below Junior College Degree	12.68%	10.85%

IV. Information on environmental protection expenditure

The Company's business is mainly engaged in high-tech clean rooms and turnkey projects of industrial plants, which are not major polluting industries and are not likely to cause major environmental pollution. For the wastes generated during the construction process, we have contracted qualified waste clearance operators to handle them. We also strictly urge transportation suppliers to comply with the relevant waste disposal regulations to prevent any violation of the Waste Disposal Act.

(I) Total losses and penalties for environmental pollution in the most recent two years up till the publication date of this annual report: None.

(II) Countermeasures and possible expenditures in the future:

1. Future countermeasures (corrective measures): Supervise and cooperate with waste clearance vendors to clean up waste
2. Possible future expenditures (possible losses, penalties, and compensation if no responsive measures are taken): None.

Note: The Company is a construction service business, not a major polluting industry. The fines may arise only when the waste clearance operator fails to clean up the construction waste in a timely manner. Hence, there is no impact on the Company's earnings, competitive position and capital expenditure.

(III) Disclosure of ROHS-related information:

Given the characteristics of the industry, the Company is not affected by the European Union's Restriction of Hazardous

Substances Directive (ROHS).

V. Work environment and employee personal safety protection measures

(I) Access control safety:

The Company has an access monitoring system installed during the day and at night, and a security company is in place to maintain security.

(II) Maintenance and inspection of various equipment:

1. Pursuant to the Regulations Governing Public Safety Inspection, Certification and Declaration of Buildings, commission a professional company to conduct public safety inspections every two or four years.
2. According to the Fire Services Act, the Company outsources fire inspections every year.

(III) Disaster prevention measures and response:

There are "Emergency Management Regulations" and "Safety and Health Code of Practice" in place and other precautions for disaster prevention and rescue, and procedures for reporting accidents.

(IV) Physiological hygiene:

1. Health checkup: New recruits undergo physical checkups. Incumbents undergo regular health checkups in accordance with the Labor Safety and Health Act.
2. Promote on-site medical care services to assist employees in safer and appropriate work, avoid health hazards in the workplace or at work, implement personal health protection and health management, and create a healthy and friendly workplace environment.
3. Hygienic working environment: Smoking is prohibited in all business premises, health seminars, CPR first aid training are held, and the office environment is regularly cleaned and disinfected.

(V) Mental health:

1. Education and training: The Company organizes courses on stress (emotion) management, communication skills, and creative thinking. It also provides employees with seminars on psychological adjustment, strengthening intellectual ability, and E-oriented education and training.
2. Expression of opinions: An exclusive web page has been created to provide employees with a discussion area, a proposal area, a download area for worksheets and various manuals, a learning area, and an education and training announcement area. It provides employees with a channel for expressing opinions, venting their feelings, and engaging in interactive learning.
3. Sexual harassment prevention: Complaints and punishment clauses have been established.

(VI) Insurance and medical care:

1. Purchase labor insurance (including occupational hazard insurance) and health insurance according to laws. In addition, contact insurance companies to provide employee accident insurance and accident medical insurance.
2. Condolences to employees hospitalized due to illness or accident.

VI. Labor-management relations

(I) Implementation of important employee welfare measures and labor-management agreements

The Company has not experienced any labor disputes since its inception. In terms of welfare measures, in addition to complying with the Labor Insurance Act, an "Employee Welfare Committee" has been established in accordance with the law to strive for the well-being of employees.

1. Employee welfare measures:

- (1) All employees of the Company are covered by employee accident group insurance, labor insurance, and national health insurance, and insured against maternity, injury, disability, old age, and death benefits.
- (2) The Company has established the Employee Welfare Committee and appropriated the welfare fund at the time of establishment according to the Company's Articles of Incorporation, and also contributed 0.05% per month from the Company's operating income, and fully credited the dividends in the bank as the source of funding for employee welfare subsidies.

2. Continuing education and training of employees

The Company has established the "Education and Training Regulations" since 2002 to invest in the cultivation and training of employees' work skills and functions according to their professional needs. This has always been the direction of the Company for the overall development of the Company.

The expenditure for employee training was NT\$274 thousand for the whole year, and the average number of training hours for employees in 2022 was 9.02 hours (2039.5 hours/ 226 employees).

The training hours and fees are as follows:

Category	Total hours	Total headcount	Total expenses (NT\$)
Professional license	1,308.5	96	217,623
Professional skills	523.5	83	21,500
Business Administration	58	11	34,500
General Studies	-	-	-
Training for new recruits	149.5	53	-
Self-inspiration training	-	-	-

Total	2,039.5	243	273,623
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3. Retirement system and its implementation
In compliance with the regulations, the Company contributes 6% of the monthly salary to the individual pension accounts of the Bureau of Labor Insurance for new employees after July 2005 and existing employees who have opted for the new pension system. Existing employees under the old pension plan and those who have opted for the new pension plan will be subjected to the old pension plan and appropriated the appropriate amounts of pension reserves to a special account at Bank of Taiwan in accordance with the pension payment standards for employees under the old pension plan.
 4. Agreements between labor and management and various employee rights protection measures:
Both labor and management operate successfully with respect to labor-management ethics. Regular labor-management meetings are held in which representatives from both employers and employees are appointed to engage in two-way communication on the various company systems and work environment and health and safety issues. These can become important source of references for management and administration aspects. In addition, the Employee Welfare Committee meetings are also set up. Employees who are enthusiastic about public welfare and good at communication participate in various meetings. In response to the Company's various welfare measures, various activities to promote a harmonious working atmosphere between the Company and employees and to build solidarity are proposed.
- (II) Losses suffered as a result of labor disputes in the most recent year up till the publication date of this annual report, and disclose the estimated amounts that may occur currently and in the future and countermeasures. If the amount cannot be reasonably estimated, please specify the fact that it cannot be reasonably estimated.
1. The Company has not suffered any loss due to labor disputes in the most recent year and up to the publication date of this annual report.
 2. Estimated amount of money that may be incurred currently and in the future and responsive measures: None.

VII. Cyber security management

1. Cyber security policy:
The Company has established an information security policy to ensure the confidentiality, integrity and availability of information assets, in order to comply with the Cyber Security Management Act and its subsidiary laws and other relevant laws and regulations, and to protect the Company from internal or external deliberate or accidental attacks and threats. The policy framework covers: Purpose, scope of application, goals, responsibilities, management indicators, management review, and implementation.
2. Specific management plans:
In terms of information security protection, the Company has invested in the hardware and software required for cyber security management to strengthen multi-layer protection for information security, including complex account password verification, host and client anti-virus, online behavior management/malicious website protection, and firewall, hosting data backup, data encryption, and network IP management. In terms of personnel investment, one information security supervisor and one information security person in charge are allocated to assist in the promotion of the Company's related information security services.
3. Resources invested in cyber security management:
 - (1) Sound cyber security management mechanism: To improve employees' cyber security awareness and self-protection awareness, the cyber security management review meeting will be held less than once a year to supervise and control related information security systems and incidents during the year. At least 3 hours of safety promotion and 1 cyber security incident reporting drill are conducted each year to raise the information security awareness of the Company's personnel.
 - (2) Participation in the information security joint defense mechanism: In order to strengthen the proactive defense strategy, the Company has joined the Taiwan TWCERT/CC information security alliance to exchange cyber hacking intelligence through this platform from time to time. This joint defense mechanism can expand the breadth of the Company's information security defense.

In the most recent year up to the publication date of this annual report, the Group's losses due to major cyber security incidents, possible impacts, and countermeasures shall be stated. If unable to provide a reasonable estimation, the facts for it shall be stated: There was no loss due to information security issues as of the publication date of the annual report. The Group continues to implement information security management policies and targets, and regularly implements recovery plans and exercises to protect the security of the Company's important systems and data.

VIII. Material contracts

In addition to long-term borrowing contracts, the Company has many supply and sales contracts, technical cooperation contracts, and construction contracts that are still valid as of the printing date of this report and reaching maturity in the most recent year. Therefore, only representative projects in progress are listed as follows:

Nature of contracts	Parties concerned	Start and end dates of contract	Main content	Restrictive covenants
Construction contract	KAJIMA CORPORATION TAIWAN BRANCH (JAPAN)	The milestone dates for the Company's assistance to the owner after the contract was signed	Cable line shield of Kajima Corp.- Taipower	Cooperate with the owner in construction
Construction contract	KAJIMA CORPORATION TAIWAN BRANCH (JAPAN)	2013/10 - Cooperated with the owner in construction	Submersible shield of the second construction area of Kajima Corp. Dalin-Kaohsiung Port cable line	Cooperate with the owner in construction
Construction contract	Taipower North Region Construction Office	2015/08 - Cooperated with the owner in construction	New construction of Fu He D/S and multi-purpose complex	Cooperate with the owner in construction
Construction contract	Formosa Petrochemical Corporation	2016/11 - Cooperated with the owner in construction	Construction turnkey project of MTBE#2 unit of Formosa Plastics' 3rd Mailiao Refinery Plant	Cooperate with the owner in construction
Construction contract	DACIN Construction Co., Ltd.	2018/05-2025/03	MRT-Wanda Line (Phase 1) CQ870 Tender Project	Cooperate with the owner in construction
Construction contract	Formosa Petrochemical Corporation	2018/08 - Cooperated with the owner in construction	Formosa Plastics Refining Common Pipe Rack Derusting and Paint Package Project 2	Cooperate with the owner in construction
Construction contract	BES Engineering Inc.	2019/06- Cooperated with the owner in construction	Barracks renovation turnkey project in Fuxing Barracks - air conditioning	Cooperate with the owner in construction
Construction contract	Construction Bureau, Taichung City Government	2019/01- Coordinated with the owner's construction	New construction of Shuinan International Convention and Exhibition Center of Taichung City Construction Bureau	Cooperate with the owner in construction
Construction contract	Fu Jen Catholic University	2019/05-co-construction with the owner	New construction of the experimental building of Xinzhuang Institute of Technology, Fu Jen Catholic University	Cooperate with the owner in construction
Construction contract	CPC CORPORATION, TAIWAN (CPC)	2020/02 - Cooperated with the owner in construction	Ancillary equipment and pipeline engineering of Dalin Oil Storage and Transportation Center, CPC	Cooperate with the owner in construction
Construction contract	BES Engineering Inc.	2020/03- Cooperated with the owner in construction	Reconstruction of No. 1 Chunghwa Fruit and Vegetable Market and Wanda Wholesale Fish Market	Cooperate with the owner in construction
Construction contract	Formosa Petrochemical Corporation	2020/10-2023/03	Rust removal and paint work for the combustion area of Formosa Plastics Refinery Utility Plant	Cooperate with the owner in construction
Construction contract	Formosa Petrochemical Corporation	2021/03-2025/06	Rust removal and paint encapsulation project for Formosa Plastics Refinery Utility Plant	Cooperate with the owner in construction
Construction contract	CHIMEI Corporation	2022/02-2024/02	Chimei Tainan New Recycling Furnace EPC Project	Cooperate with the owner in construction
Construction contract	SHINY CHEMICAL INDUSTRIAL CO., LTD.	2022/02-2022/12	F19 fire protection system project of SHINY CHEMICAL INDUSTRIAL CO., LTD.	Cooperate with the owner in construction
Construction contract	Construction Bureau, Taichung City Government	2022/05-2024/04	Taichung International Convention and Exhibition Center Phase II Project	Cooperate with the owner in construction
Construction contract	Nanya Technology Corporation	2022/04-2024/07	Nanya Ke Taishan 9-3 nitrogen field supply system EPC turnkey project	Cooperate with the owner in construction

Nature of contracts	Parties concerned	Start and end dates of contract	Main content	Restrictive covenants
Construction contract	KAJIMA CORPORATION TAIWAN BRANCH (JAPAN)	2022/01- Cooperating with the owner in construction	Reconstruction of Kajima Zhongshan DS and buried shield tunnel of Daan-Zhongshan 161kV line	Cooperate with the owner in construction
Construction contract	Formosa Sumco Technology Corporation	2022/10/03-2023/12/31	New MEP system construction for Formosa Plastics Shengkao's Mailiao No. 2 12-inch Plant	Cooperate with the owner in construction

Six. Overview of Financial Information

I. Condensed balance sheet and statement of comprehensive income in the most recent five years

(I) A. Condensed balance sheet (consolidated) - International Financial Reporting Standards

Unit: In Thousand of New Taiwan Dollars

Items	Year	Financial information for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Current asset		1,778,808	1,840,554	1,781,806	2,117,925	3,426,857
Property, plant and equipment		143,004	141,835	148,329	146,474	146,733
Intangible assets		-	-	-	-	-
Other assets		88,708	97,126	141,010	124,109	144,678
Total assets		2,010,520	2,079,515	2,071,145	2,388,508	3,718,268
Current liabilities	Before distribution	934,010	901,354	890,382	1,188,618	2,419,142
	After distribution (Note 2)	934,010	935,719	911,619	1,216,934	2,484,128
Non-current liabilities		24,084	32,323	38,329	31,349	25,916
Total liabilities	Before distribution	958,094	933,677	928,711	1,219,967	2,445,058
	After distribution (Note 2)	958,094	968,042	949,948	1,248,283	2,510,044
Equity attributable to owners of parent company		1,031,850	1,145,746	1,142,434	1,168,541	1,273,210
Share capital		687,291	687,291	707,910	707,910	722,068
Additional paid-in capital		85,742	10,354	10,354	10,354	10,354
Retained earnings	Before distribution	219,804	403,596	367,547	403,566	492,649
	After distribution (Note 2)	219,804	348,612	346,310	361,092	406,001
Other equity		39,013	44,505	56,623	46,711	48,139
Treasury shares		-	-	-	-	-
Non-controlling interests		20,576	92	-	-	-
Total equity	Before distribution	1,052,426	1,145,838	1,142,434	1,168,541	1,273,210
	After distribution (Note 2)	1,052,426	1,111,473	1,121,197	1,140,225	1,208,224

Note: 1. All financial information of the most recent five years has been audited and verified by CPAs.

2. The proposal for distribution of earnings in 2022 was passed by the Board of Directors and is still pending for approval by the shareholders' meeting in 2023.

(I) B. Condensed comprehensive income statement (consolidated) - IFRS

Unit: NTD thousand (except earnings per share)

Item \ Year	Financial information for the most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	2,006,559	1,925,979	1,836,270	1,795,993	2,458,496
Gross profit	63,158	129,521	90,867	130,557	219,793
Operating income or loss	5,343	45,239	31,740	62,520	135,286
Non-operating income and expense	19,290	142,158	1,674	2,332	23,607
Net income before tax	24,633	187,397	33,414	64,852	158,893
Net income of continuing operations in this period	13,687	168,103	16,041	55,739	129,011
Loss on discontinued operations	(943)	-	-	-	-
Net income (loss) for this period	12,744	168,103	16,041	55,739	129,011
Other comprehensive income of the current period (Net amount after tax)	(8,371)	23,408	15,132	(8,395)	3,974
Total comprehensive income for this period	4,373	191,511	31,173	47,344	132,985
Net income attributable to owners of parent company	13,818	167,986	16,041	55,739	129,011
Net income attributable to non-controlling interests	(1,074)	117	-	-	-
Total comprehensive income attributable to owners of parent company	5,447	191,394	31,173	47,344	132,985
Total comprehensive income attributable to non-controlling interests	(1,074)	117	-	-	-
Earnings per share	0.20	2.44	0.23	0.79	1.79

Note: 1. All financial information of the most recent five years has been audited and verified by CPAs.

(II) A. Condensed balance sheet (standalone) - International Financial Reporting Standards

Unit: In Thousand of New Taiwan Dollars

Items	Year	Financial information for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Current asset		1,285,406	1,376,750	1,575,121	1,861,046	3,145,632
Property, plant and equipment		140,495	139,763	139,063	138,511	138,366
Intangible assets		-	-	-	-	-
Other assets		254,953	258,438	273,134	310,982	331,073
Total assets		1,680,854	1,774,951	1,987,318	2,310,539	3,615,071
Current liabilities	Before distribution	624,920	596,882	806,671	1,110,762	2,315,945
	After distribution (Note 2)	624,920	631,247	827,908	1,139,078	2,380,931
non-current liabilities		24,084	32,323	38,213	31,236	25,916
Total liabilities	Before distribution	649,004	629,205	844,884	1,141,998	2,341,861
	After distribution (Note 2)	649,004	663,570	866,121	1,170,314	2,406,847
Equity attributable to owners of parent company		1,031,850	1,145,746	1,142,434	1,168,541	1,273,210
Share capital		687,291	687,291	707,910	707,910	722,068
Additional paid-in capital		85,742	10,354	10,354	10,354	10,354
Retained earnings	Before distribution	219,804	403,596	367,547	403,566	492,649
	After distribution (Note 2)	219,804	348,612	346,310	361,092	406,001
Other equity		39,013	44,505	56,623	46,711	48,139
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	1,031,850	1,145,746	1,142,434	1,168,541	1,273,210
	After distribution (Note 2)	1,031,850	1,111,381	1,121,197	1,140,225	1,208,224

Note: 1. All financial information of the most recent five years has been audited and verified by CPAs.

2. The proposal for distribution of earnings in 2022 was passed by the Board of Directors and is still pending for approval by the shareholders' meeting in 2023.

(II) B. Condensed comprehensive income statement (standalone) - International Financial Reporting Standards

Unit: NTD thousand (except earnings per share)

Year Item	Financial information for the most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	1,329,867	1,667,179	1,416,182	1,704,138	2,361,790
Gross profit	48,340	94,354	84,389	119,115	195,959
Operating income or loss	(3,770)	18,351	32,511	56,211	123,593
Non-operating income and expense	25,372	163,445	(3,404)	6,974	34,203
Net income before tax	21,602	181,796	29,107	63,185	157,796
Net income of continuing operations in this period	13,818	167,986	16,041	55,739	129,011
Loss on discontinued operations	-	-	-	-	-
Net income (loss) for this period	13,818	167,986	16,041	55,739	129,011
Other comprehensive income of the current period (Net amount after tax)	(8,371)	23,408	15,132	(8,395)	3,974
Total comprehensive income for this period	5,447	191,394	31,173	47,344	132,985
Net income attributable to owners of parent company	-	-	-	-	-
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent company	-	-	-	-	-
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	0.20	2.44	0.23	0.79	1.79

Note: 1. All financial information of the most recent five years has been audited and verified by CPAs.

2. Earnings per share are calculated using the weighted average method based on the number of outstanding common shares.

(III) Names and audit opinions of CPAs in the most recent five years

Year	Accounting firm	Name of CPA	Audit opinion
2018	KPMG	Ming-Hung Huang, Po-Shu Huang	Unqualified opinion
2019	KPMG	Ming-Hung Huang, Chia-Chien Tang	Unqualified opinion
2020	KPMG	Ming-Hung Huang, Chia-Chien Tang	Unqualified opinion
2021	KPMG	Ming-Hung Huang, Chia-Chien Tang	Unqualified opinion
2022	KPMG	Ming-Hung Huang, Chia-Chien Tang	Unqualified opinion

II. Financial analysis for the most recent five years

A. Financial analysis (consolidated) - International Financial Reporting Standards

Analysis items		Year	Financial analysis for the past five years				
		2018	2019	2020	2021	2022	
Financial structure	Debt ratio (%)	47.65	44.90	44.84	51.08	65.76	
	Ratio of long-term capital to property, plant and equipment (%)	752.78	830.66	796.04	819.18	885.37	
Solvency	Current ratio (%)	190.45	204.20	200.12	178.18	141.66	
	Quick ratio (%)	48.55	48.90	107.80	87.17	87.85	
	Interest earned ratio	8.11	202.94	6.03	11.80	12.47	
Operating performance	Accounts receivable turnover (times)	13.73	24.99	21.72	31.12	10.50	
	Average collection period (days)	26.60	14.60	16.80	11.73	34.76	
	Inventory turnover (times)	0.36	0.28	0.31	0.41	0.42	
	Accounts payable turnover (times)	6.79	6.66	6.74	5.74	5.25	
	Average days in sales	1,013	1,303	1,177	890	869.04	
	Property, plant and equipment turnover (times)	13.10	13.52	12.66	12.18	16.77	
	Total assets turnover (times)	1.00	0.94	0.89	0.75	0.66	
Profitability	Return on assets (%)	0.69	8.26	0.85	2.51	4.28	
	Return on equity (%)	1.26	15.29	1.40	4.82	10.57	
	Pre-tax income to paid-in capital (%)	3.45	27.27	4.72	9.16	22.01	
	Net profit margin (%)	0.63	8.73	0.87	3.10	5.25	
	Earnings per share (NT\$)	0.20	2.45	0.23	0.79	1.79	
Cash flows	Cash flow ratio (%)	14.43	18.71	28.72	9.05	-24.27	
	Cash flow adequacy ratio (%)	-131.95	18.13	49.88	48.94	11.18	
	Cash reinvestment ratio (%)	12.17	13.94	18.22	7.00	-46.10	
Leverage	Operating leverage	1.53	1.19	1.28	1.15	1.07	
	Financial leverage	2.66	1.02	1.07	1.01		

Note 1: All financial information in the most recent five years has been audited or reviewed by CPAs.

Note 2: Formula for financial analysis

1. Financial structure

(1) Debt ratio = Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities)/Net property, plant and equipment.

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.

(3) Interest earned ratio = Net income before tax and interest expense/Interest expenses in this period.

3. Operating performance

(1) Accounts receivable turnover (including accounts receivable and notes receivable from operating activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and notes receivable from operating activities).

(2) Average collection period (days) = 365/Accounts receivable turnover.

(3) Inventory turnover = Cost of sales/Average inventory.

(4) Payables turnover (including accounts payable and notes payable from operating activities) = Cost of sales/Balance of average accounts payable in each period (including accounts payable and notes payable from operating activities).

(5) Average days in sales = 365/Inventory turnover.

(6) Property, plant and equipment turnover = Net sales/Average net property, plant, and equipment.

(7) Total asset turnover = Net sales/Average total assets.

4. Profitability

(1) Return on assets = [Profit or loss after tax + Interest expenses × (1 - Tax rate)]/Average total assets.

(2) Return on equity = Profit or loss after tax/Average total equity.

(3) Profit margin = Profit or loss after tax/Net sales.

(4) Earnings per share = (Income or loss attributable to owners of parent company - Preference shares dividends)/Weighted average number of shares issued.

5. Cash flows

(1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/ (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

6. Leverage:

(1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income.

(2) Financial leverage = Operating income/(Operating income - Interest expenses).

B. Financial analysis (standalone) - International Financial Reporting Standards

Analysis items		Year	Financial analysis for the past five years				
		2018	2019	2020	2021	2022	
Financial structure	Debt ratio (%)	38.61	35.45	42.51	49.43	64.78	
	Ratio of long-term capital to property, plant and equipment (%)	751.58	842.90	849.00	866.20	938.91	
Solvency	Current ratio (%)	205.69	230.66	195.26	167.55	135.82	
	Quick ratio (%)	65.91	53.76	97.45	79.07	85.25	
	Interest earned ratio	7.48	91.13	5.44	14.84	13.22	
Operating performance	Accounts receivable turnover (times)	13.18	31.71	20.38	33.61	10.25	
	Average collection period (days)	27.70	11.51	17.91	10.86	35.62	
	Inventory turnover (times)	0.25	0.27	0.25	0.43	0.44	
	Accounts payable turnover (times)	4.81	6.08	5.58	5.42	5.16	
	Average days in sales	1,460	1,352	1,460	848.84	829.545	
	Property, plant and equipment turnover (times)	9.45	11.90	10.16	12.28	17.06	
	Total assets turnover (times)	0.71	0.96	0.75	0.79	0.80	
Profitability	Return on assets (%)	0.88	9.82	0.93	2.62	4.41	
	Return on equity (%)	1.39	15.43	1.40	4.82	10.57	
	Pre-tax income to paid-in capital (%)	3.14	26.45	4.11	8.93	21.85	
	Net profit margin (%)	1.04	10.08	1.13	3.27	5.46	
	Earnings per share (NT\$)	0.20	2.44	0.23	0.79	1.79	
Cash flows	Cash flow ratio (%)	29.23	-1.08	-8.60	18.91	-22.91	
	Cash flow adequacy ratio (%)	-5.69	3.94	-7.91	4.17	-33.32	
	Cash reinvestment ratio (%)	16.83	-0.53	-8.55	15.33	-41.90	
Leverage	Operating leverage	0.42	1.42	1.25	1.16	1.08	
	Financial leverage	0.53	1.12	1.06	1.01	1.02	
Reasons for changes in financial ratios for the most recent two years (unless increase or decrease is less than 20%): Except for the descriptions of changes in the consolidated financial statements, other financial ratios are described as follows: 1. Long-term capital as a percentage of property, plant, and equipment turnover increased in the financial structure: The increase in sales revenue from the current period compared to the previous period resulted in an increase in the property, plant, and equipment turnover.							

Note 1: All financial information of the most recent five years has been audited and verified by CPAs.

Note 2: Formula for financial analysis

1. Financial structure

(1) Debt ratio = Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities)/Net property, plant and equipment.

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.

(3) Interest earned ratio = Net income before tax and interest expense/Interest expenses in this period.

3. Operating performance

(1) Accounts receivable turnover (including accounts receivable and notes receivable from operating activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and notes receivable from operating activities).

(2) Average collection period (days) = 365/Accounts receivable turnover.

(3) Inventory turnover = Cost of sales/Average inventory.

(4) Payables turnover (including accounts payable and notes payable from operating activities) = Cost of sales/Balance of average accounts payable in each period (including accounts payable and notes payable from operating activities).

(5) Average days in sales = 365/Inventory turnover.

(6) Property, plant and equipment turnover = Net sales/Average net property, plant, and equipment.

(7) Total asset turnover = Net sales/Average total assets.

4. Profitability

(1) Return on assets = [Profit or loss after tax + Interest expenses × (1 - Tax rate)]/Average total assets.

(2) Return on equity = Profit or loss after tax/Average total equity.

(3) Profit margin = Profit or loss after tax/Net sales.

(4) Earnings per share = (Income or loss attributable to owners of parent company - Preference shares dividends)/Weighted average number of shares issued.

5. Cash flows

(1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/ (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

6. Leverage:

(1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income.

(2) Financial leverage = Operating income/(Operating income - Interest expenses).

III. Audit Committee's Review Report on the Financial Report for the Most Recent Year: Please refer to the Attachment (page 96)

IV. Financial statements for the most recent year, including the CPA's Independent Auditors' Report, two years' reconciled balance sheet, comprehensive income statement, statement of changes in equity, statement of cash flows, and notes or attachments. Please refer to the attachment (page 97)

V. Standalone Financial Statement audited and verified by the CPAs in the most recent year (excluding the schedule of important accounting items): Please refer to the Attachment (page 151)

VI. Influence of any difficulty with financial solvency of the Company or its affiliate on the Company's financial position in the most recent year and up to the publication date of this annual report: None.

Seven. Financial Position and Financial Results Review Analysis and Risk Management

I. Financial position

Comparison and Analysis of Financial Position

Unit: In Thousand of New Taiwan Dollars

Items \ Year	December 31, 2022	December 31, 2021	Difference in	
			amount	%
Current asset	3,426,857	2,117,925	1,308,932	61.80%
Long-term investment	89,496	96,452	-6,956	-7.21%
Property, plant and equipment	146,733	146,474	259	0.17%
Other assets	55,182	27,657	27,525	99.52%
Total assets	3,718,268	2,388,508	1,329,760	55.67%
Current liabilities	2,419,142	1,188,618	1,230,524	103.53%
Non-current liabilities	25,916	31,349	-5,433	-17.33%
Total liabilities	2,445,058	1,219,967	1,225,091	100.42%
Share capital	722,068	707,910	14,158	2.00%
Additional paid-in capital	10,354	10,354	0	0.00%
Retained earnings	492,649	403,566	89,083	22.07%
Other equity	48,139	46,711	1,428	3.06%
Total equity	1,273,210	1,168,541	104,669	8.96%

Description of major changes:

1. Increase in current assets: Due to the increase in deposits received from construction in progress and construction receivables in 2022.
2. Increase in current liabilities and total liabilities: Due to the sudden increase in business volume in 2022, the demand for working capital, resulting in an increase in bank borrowings and short-term notes payable, and resulted in an increase in current liabilities and total liabilities.

II. Financial performance

Comparative analysis of financial performance

Unit: In Thousand of New Taiwan Dollars

Items \ Year	2022	2021	Difference in	
			amount	%
Operating revenue	2,458,496	1,795,993	662,503	36.89%
Operating cost	2,238,703	1,665,436	573,267	34.42%
Gross profit	219,793	130,557	89,236	68.35%
Operating expenses	84,507	68,037	16,470	24.21%
Operating profit	135,286	62,520	72,766	116.39%
Non-operating income and expense	23,607	2,332	21,275	912.31%
Pre-tax profit from continuing operations	158,893	64,852	94,041	145.01%
Income tax expenses	29,882	9,113	20,769	227.91%
Net income of continuing operations	129,011	55,739	73,272	131.46%
Net profit for the period.	129,011	55,739	73,272	131.46%

Description of major changes:

- Increases in gross profit, operating profit and net profit for the current period: Because some construction contracts were subject to price index adjustment in 2022, additional construction costs can be incurred as the price index rises, and the construction profit was better for 2022. As a result, the gross profit margin rises, resulting in an increase in operating gross profit, operating income and net profit of the current period.
- Non-operating income and expenses increased: This is mainly due to the gain on disposal of investment property by the subsidiary (King Polytechnic, USA) in 2022.

III. Cash flow

Analysis and description of cash flow changes in the most recent year

Items \ Year	2022	2021	Percentage of change	
			amount	%
Net cash flow from operating activities	(587,228)	107,587	-694,815	-645.82%
Net cash flow from investing activities	(24,036)	4,048	-28,084	-693.77%
Net cash flow from financing activities	331,805	244,409	87,396	35.76%

(I) Analysis of variation up to 20% in the percentage of increase/decrease:

- Decrease in net cash flow from operating activities: Due to the increase in construction in progress, the net increase in contract assets resulted in higher net cash outflow from operating activities.
- Decrease in net cash flow from investing activities: Mainly due to the disposal of investment property by the subsidiary (King Polytechnic, USA) in 2021.
- Increase in net cash flow from financing activities: Due to the need for working capital this year, bank borrowings and short-term notes payable increased.

(II) Improvement plan for insufficient liquidity: None.

(III) Liquidity analysis for the coming year

Unit: In Thousand of New Taiwan Dollars

Opening cash balance	Projected full-year net cash flow from operating activities	Projected cash inflow (outflow) throughout the year	Projected cash surplus (deficit)	Remedial measures for cash flow deficit	
				Investment plan	Financing plan
213,138	338,274	125,136	426,276	-	-

1. Description of cash flow in the next year: No significant effect.
2. Remedial measures for projected cash shortage and liquidity analysis: Not applicable.

IV. Influence of major capital expenditures on financial business in the most recent year: None.

V. The main reasons for the profit or loss of the re-investment policy in the latest year, and its improvement plans, and investment plans for the next year.

Company	Items	Initial investment amount (NTD Thousand)	Policy	Main reason for profit or loss	Improvement plan	Other investment plans in the future
HONG SIANG CONSTRUCTION CO., LTD.		NTD 68,000	To enter the public works, green building, urban renewal and turnkey projects related to construction industry.	The Company began to integrate its resources based on its Grade-A construction license advantage, to provide tender services and expand the Company's business. The synergies are preliminarily emerging, and only a small profit has been made.	-	-
RELIANT REAL ESTATE DEVELOPMENT CO., LTD.		NTD 52,500	Development and rental of residential buildings and trading of real estate.	Develop business opportunities in related construction projects, and then explore the business market for smart buildings and smart cities in the future. There is no suitable case, so no profit for the time being.	-	-
King Polytechnic (Texas) Corporation		USD 8,438	Co-ordinate the steel structure manufacturing and equipment installation works of Formosa Plastics USA, and win investment from Formosa Plastics USA to expand the petrochemical plant.	Since its establishment, the Company has generated earnings and contributed significantly to the performance and profits of the parent company in Taiwan, while laying the foundation for the U.S. market. However, we will continue to work hard to capture potential business opportunities of Formosa Plastics in the U.S.A..	-	-
LNT TECHNOLOGY CO., LTD.		NTD 60,000	Holding of 40% by KING POLYTECHNIC, the company specializes in the wholesale and installation of electrical appliances, and specializes in the integration and construction of intelligent projects. It can cooperate with KING POLYTECHNIC's EPC projects for co-creation.	Due to the small scale and small number of personnel of the two companies, they mostly undertake small-value projects so far, and no economies of scale have been generated. It is expected that the advantages of the two companies will be combined to compete for projects and create profits.	-	-

VI. Risk analysis and assessment

- (I) Impacts of changes in interest rates, exchange rates, and inflation in the most recent year on the Company's profit and loss, and future countermeasures:

Changes in interest rates and inflation have no significant impact on the Company's operations and profit or loss. As for the responsive measures, the Company uses foreign exchange spot and forward transaction contracts as a tool to hedge the exchange rate risk. In addition, the Company maintains close and good interaction with suppliers and customers, and pays attention to changes in market prices at any time, so that the purchase and sale prices can be adjusted in response to market fluctuations and added a clause in major project contracts on adjustment to commodity prices. The increase in the index will lead to additional construction costs, thereby avoiding the impact of changes in inflation.

- (II) Policies on high-risk, high-leverage investments, lending of funds, endorsements and guarantees, and transactions of derivatives in the most recent year, main reasons for profit or loss, and countermeasures in the future:
1. The Company does not engage in high-risk or high-leverage investments.
 2. Regarding the lending of funds to others, endorsements and guarantees, and derivative product transactions, the Company has formulated the "Procedures for Lending of Funds to Others", "Procedures for Endorsements and Guarantees", and "Procedures for the Acquisition or Disposal of Assets" to regulate the lending of funds to others, endorsements and guarantees and derivative transactions. The Company's derivative transactions are for the purpose of hedging rather than trading.
- (III) R&D plans in the most recent year, the current progress of unfinished R&D projects, the additional R&D expenses to be invested, the estimated time of completion of mass production, and the main factors affecting the success of R&D in the future:
- Although the Company had excellent performance in the petrochemical and chemical engineering business and public engineering business in the past, in order to expand the business, we have conducted learnings and exchanges with vendors in the fields of Industry 4.0 and smart process related products and system technologies. We select and cooperate with high-quality parties and make use of the system integration capabilities of KING POLYTECHNIC to form a team to provide customers with complete solutions. In addition, as the pandemic may become the norm in the future, which will force medical institutions to accelerate the renovation and upgrade, the Company utilizes the above-mentioned EPC+smart added-value integrated services complying to the standard for international assessment of hospitals (Joint Commission International, JCI) to offer complete solutions and expand related engineering markets.
- (IV) Impacts of important domestic and foreign policies and legal changes in the most recent year on the Company's financial operations, and countermeasures:
- The Company's business operations follow the applicable laws and regulations of domestic and foreign countries where it invests. Although fewer people have traveled overseas due to the impact of COVID-19, the Company's personnel from local subsidiaries still transmit important foreign policy and legal information back to Taiwan. It provides the management with a reference, so the Company can effectively respond to and grasp the impact of important policies and legal changes at home and abroad.
- (V) Impacts of changes in technology in the most recent year (including cyber security risks) on the Company's financial operations, and countermeasures
- The Company has a strong technical service team, and its business scope covers engineering planning, design, procurement, construction, commissioning, engineering management, and whole plant turnkey projects. Therefore, technology research and development and innovation are originally an indispensable plan for operation. This is the Company's main competitive advantage. Therefore, changes in technology have brought more business and profit opportunities to the Company, and have a positive effect on the Company's financial operations. The Company has set up an IT department with dedicated IT personnel in charge of cyber security. They monitor the connection records of the firewall at all times for evaluation. Data is backed up to the mainframe on a daily basis, and the backed up data is moved to a rented computer room on a monthly basis to effectively reduce cyber security risk.
- (VI) Impacts of changes in corporate image in the most recent year on corporate crisis management, and countermeasures
- The Company's business operations are based on the principle of prudence and integrity. The Company has a good corporate image. On July 14, 1990, the Company was listed for trading with its Class II stock, and it began to trade over the counter with its Class I stock on January 16, 2002. We have accumulated more than 30 years of experience in the industry. Therefore, we will attract more talents to join the company and build up the strength of the management team. The company will fulfill its social responsibilities by returning the results of its operations to the shareholders. Therefore, there was no risk to the corporate image. In the future, the Company will not only pursue the maximization of shareholders' equity, but also fulfill the corporate social responsibilities to further improve the corporate image.
- (VII) Estimated benefits and potential risks of M&A and countermeasures: None.
- (VIII) Estimated benefits, potential risks of plant expansion, and countermeasures: None.
- (IX) Risks of supplier or client concentration and countermeasures: None.
- (X) The influence of massive transfer or replacement of shares by the directors, supervisors, or shareholders each holding more than 10 % of the shares issued by the Company, the risk thereof, and countermeasures: None.
- (XI) The influence of change in the Company's management right, the risk thereof, and countermeasures: None.
- (XII) For litigations or non-litigations events, in the case of a court case or a non-contentious case, specify the names of the directors, supervisors, the President, the de facto responsible person, shareholders each holding more than 10% of company shares, and subsidiaries with final ruling made or still in major legal proceedings, non-contentious matters, or administrative disputes, and where the result thereof may significantly affect shareholders' equity or stock price, disclose the fact of the contentions, the amount involved, the commencement date of the proceedings, the major litigants in the proceedings, and the status as of the publication date of this report:
1. All litigations, non-litigations, or administrative litigations involving the Company in the most recent two years or as of the prospectus' publication date that have been concluded or are in progress and whose results may have significant impact on shareholders' equity or securities prices, the facts of the dispute, amount of money at stake, start date of litigation, main parties involved in the dispute, and the status of the dispute shall be disclosed: None.

2. In the case of a court case or a non-contentious case, specify the names of the directors, supervisors, the President, the de facto responsible person, shareholders each holding more than 10% of company shares, and subordinate companies with final ruling made or still in major legal proceedings, non-contentious matters, or administrative disputes in the most recent two years and as of the prospectus' publication date, and where the result thereof may significantly affect shareholders' equity or stock price: None.

(XIII) Other important risks and countermeasures: None.

VII. Other important matters: None.

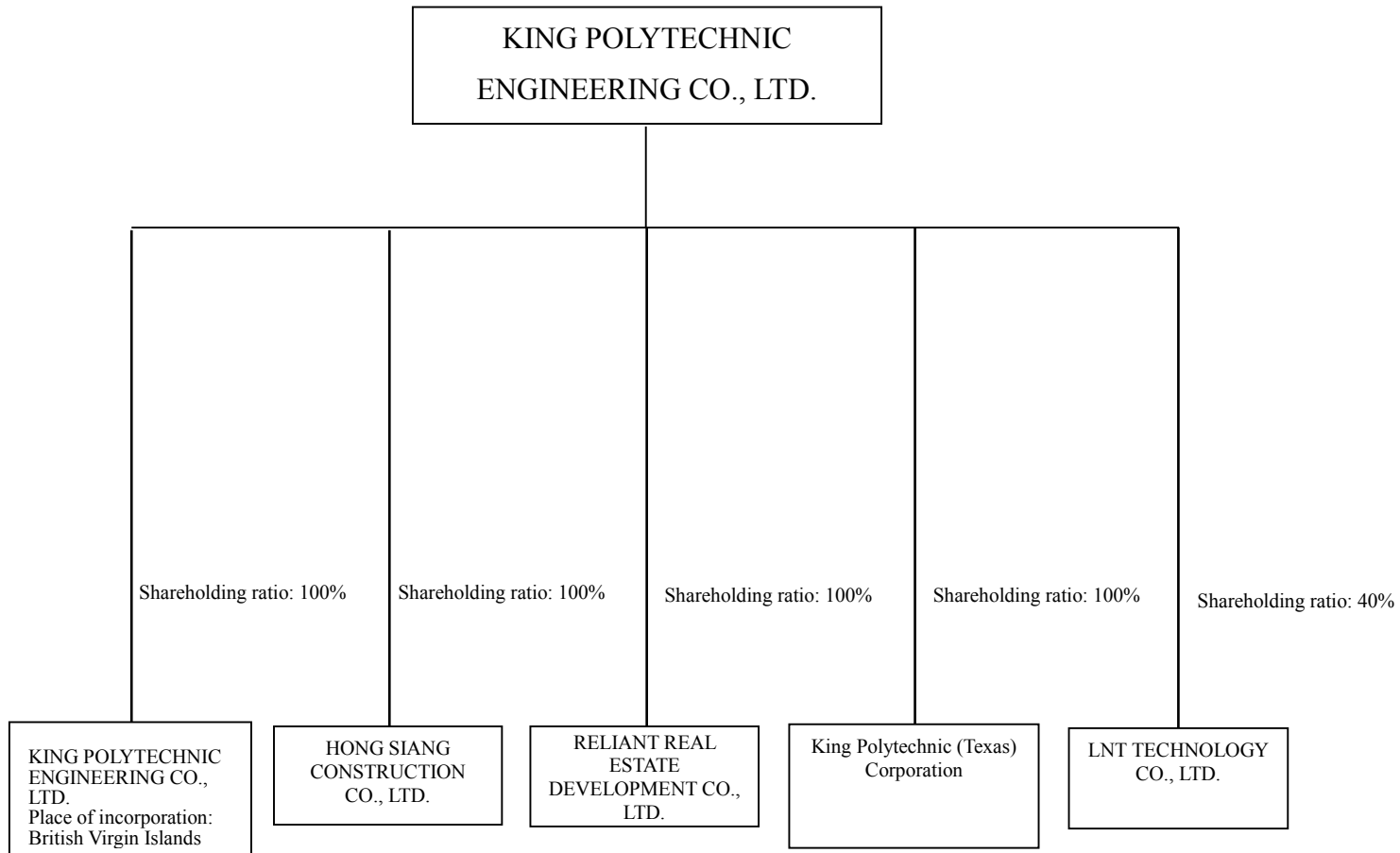
Eight. Special Matters

I. Relevant information on affiliates

(1) Organization chart of affiliated enterprises

1. Affiliated enterprise map

Organization Chart of Affiliated Enterprises



2. Relationship and mutual shareholding with affiliates

Unit: In Thousand of New Taiwan Dollars

Name of affiliated enterprise	Relationship with the Company	Hold shares of KING POLYTECHNIC ENGINEERING CO., LTD.			The shares of the affiliated enterprise held by KING POLYTECHNIC ENGINEERING CO., LTD.		
		Number of shares	Shareholding	Amount invested (Original cost)	Number of shares	Shareholding	Amount invested (Original cost)
KING POLYTECHNIC ENGINEERING CO., LTD. (BVI)	Subsidiary of the Company	-	-	-	1	100.00%	-
HONG SIANG CONSTRUCTION CO., LTD.	Subsidiary of the Company	-	-	-	6,800,000	100.00%	68,000
RELIANT REAL ESTATE DEVELOPMENT CO., LTD.	Subsidiary of the Company	-	-	-	5,250,000	100.00%	52,500
King Polytechnic (Texas) Corporation	Subsidiary of the Company	-	-	-	270,000	100.00%	8,438
LNT TECHNOLOGY CO., LTD. (Note)	Re-invested companies accounted for using the equity method by the Company	-	-	-	400,000	40.00%	6,000

Note: The Company invested NT\$6 million in 2021 to acquire 40% of the equity of LNT TECHNOLOGY CO., LTD., and thus LNT TECHNOLOGY CO., LTD. became an investee company under the equity method of the Company.

(II) Basic information of each affiliated enterprise

Unit: NTD/USD

Company	Date of establishment	Address	Paid-in capital	Main business or item produced
KING POLYTECHNIC ENGINEERING CO., LTD. (BVI)	2001/1/20	Offshore British Virgin Islands	-	Offshore company for reinvestment
HONG SIANG CONSTRUCTION CO., LTD.	1965/6/30	5F, No. 212, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)	NTD 68,000,000	Civil engineering construction and related transportation and sale of sand and trading of construction materials
RELIANT REAL ESTATE DEVELOPMENT CO., LTD.	2014/5/21	5F, No. 206, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)	NTD 52,500,000	Development and rental of residential buildings and trading of real estate
King Polytechnic (Texas) Corporation	2017/1/16	420 E Railroad St. (Suite A), Port Lavaca TX 77979-3445	USD 270,000	Co-ordinate the steel structure manufacturing and equipment installation works of Formosa Plastics USA, and win investment from Formosa Plastics USA to expand the petrochemical plant.
LNT TECHNOLOGY CO., LTD.	2016/10/12	11F, No. 32, Gongyuan Rd., Guishan District, Taoyuan City, Taiwan (R.O.C.)	NTD 10,000,000	Wholesale and installation of electrical appliances

(III) Where a controlling or subordinate relationship is presumed to exist according to Article 369-3 of the Company Act, and the matters to be disclosed: None.

(IV) Industries covered by the overall business operations of the affiliated enterprise:

Construction, design, planning, construction and commissioning of chemical plants, petrochemical plants, semiconductor plants, electronics plants, power plants, air-conditioning sterile clean room projects, public works, civil engineering and construction, real estate trading.

(V) Information on directors, supervisors, and presidents of affiliated companies

Company	Title	Name or representative	Shareholding	
			Number of shares	Shareholding
KING POLYTECHNIC ENGINEERING CO., LTD. (BVI) HONG SIANG CONSTRUCTION CO., LTD.	Chairman	Hung, Chen-Pan	-	100.00%
	Chairman-cum-President	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Ming-Chan Chang	6.8 million shares	100.00%
	Director	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Jenn-Pan Horng		
RELIANT REAL ESTATE DEVELOPMENT CO., LTD.	Director	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Chien-Fong Hong		
	Supervisors	Chin-Pi Hsu		
	Chairman-cum-President	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Chien-Fong Hong	5.25 million shares	100.00%
King Polytechnic (Texas) Corporation	Director	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Jenn-Pan Horng		
	Director	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Ming-Chan Chang		
	Supervisors	Chin-Pi Hsu		
LNT TECHNOLOGY CO., LTD.	Chairman and Responsible Person	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Ming-Chan Chang	-	100.00%
	Director	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Jenn-Pan Horng		
	Director	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Chin-Pi Hsu		
LNT TECHNOLOGY CO., LTD.	Chairman-cum-President	Irene Liu	400,000 shares	40.00%
	Director	Yu-Tsai Cheng		
	Director	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Chien-Fong Hong		
LNT TECHNOLOGY CO., LTD.	Supervisors	Representative of corporate entity, King Polytechnic Engineering Co., Ltd.: Cheng-Chuan Lu		

(VI) Operational overview of affiliated enterprises: (December 31, 2022)

Unit: NTD thousand, except for earnings per share

Company	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Current profit and loss	Earnings per share after tax (NT\$)
KING POLYTECHNIC ENGINEERING CO., LTD. (BVI)	0	45,957	0	45,957	0	(69)	4,769	4,769
HONG SIANG CONSTRUCTION CO., LTD.	68,000	160,776	98,082	62,694	95,321	737	3,957	0.58
RELIANT REAL ESTATE DEVELOPMENT CO., LTD.	52,500	28,423	411	28,011	0	(1,384)	(1,275)	(0.24)
King Polytechnic (Texas) Corporation	8,438	81,125	11,233	69,892	13,766	2,113	3,780	14.00
LNT TECHNOLOGY CO., LTD.	10,000	13,871	5,544	8,327	4,438	(4,400)	(4,393)	(4.39)

(VII) Declaration of Consolidated Financial Statements and Report of Affiliation: Please refer to page 101 onward

- II. Private placement of securities in the most recent year up till the publication date of this annual report: None.**
- III. Subsidiaries holding or disposing of the Company's shares in the most recent year and up to the publication date of this annual report: None.**
- IV. Other necessary supplementary information: None.**
- V. Any event as specified in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act with a material impact on shareholders' rights and interest or securities prices occurred to the Company during the most recent year and up to the publication date of this annual report: None.**

KING POLYTECHNIC ENGINEERING CO., LTD.

Audit Committee's Report

KPMG has been commissioned to audit the Company's 2022 business report, financial statements, and proposal for the distribution of earnings by the Board of Directors. After reviewing such documents, the Audit Committee found no nonconformity and thus presented this report to the AGM for approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2023 Annual General Meeting of Shareholders of KING POLYTECHNIC ENGINEERING CO., LTD.

Audit Committee Convener: Hui-Yuo Hsu

March 13, 2023

Representation Letter

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

Company name: King Polytechnic Engineering Co., Ltd.
Chairman: Jian-Feng Hong
Date: March 13, 2023



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

To the Board of Directors of King Polytechnic Engineering Co., Ltd.:

Opinion

We have audited the consolidated financial statements of King Polytechnic Engineering Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of 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 of 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

For the accounting policies for revenue recognition, please see note 4(o) “Revenue recognition” to the consolidated financial statements. For revenue recognition assessment regarding accounting assumptions and estimation uncertainty”, please refer to note 5. For disclosure of revenue from contracts with customers, please refer to note 6(p).

Description of key audit matter:

The Group's construction contract revenues are based on the ratio of the actual cost incurred as of the reporting date to the estimated total cost. However, the Group's management estimated the total costs based on past experience, so as to assess the reasonableness of future costs needed, which might impact the percentage of completion as well as the profit or loss of the construction projects. Therefore, revenue recognition was determined to be our key audit matters.

How the matter was addressed in our audit:

Our audit procedures in this area included testing the effectiveness of internal control of the timings and accuracy of the recognition of construction contract revenues and costs; selecting major contracts as samples, and reviewing the total contracts price and estimated total cost to determine whether there is any significant change; reviewing the required input cost previously assessed by the management authority and compare it with the actual input cost of the completion of the project to assess whether the estimation method is appropriate; checking the relevant evidence and supporting documents of certain projects to confirm the current amount of input used to calculate the degree of completion of the project; and evaluating whether the company has properly disclosed the relevant information of revenue.

Other Matter

King Polytechnic Engineering Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 or supervisors) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and 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 auditors' report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hung Huang and Chia-Chien Tang.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2023

Notes to Readers

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

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2022</u>		<u>December 31, 2021</u>				<u>December 31, 2022</u>		<u>December 31, 2021</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 305,909	8	580,472	25	2100	Short-term borrowings (notes 6(h), 7 and 8)	\$ 509,832	14	301,877	13
1136	Current financial assets at amortised cost (notes 6(a) and 8)	1,245,953	34	381,619	16	2322	Long-term borrowings, current portion (notes 6(h), 7 and 8)	75,602	2	43,104	2
1140	Current contract assets (note 6(p))	1,296,201	35	1,077,661	45	2111	Short-term notes and bills payable (notes 6(i) and 7)	289,495	8	149,795	6
1150	Notes receivable (notes 6(c) and (p))	-	-	714	-	2130	Contract liabilities-current (note 6(p))	990,543	27	220,882	9
1160	Notes receivable-related parties (notes 6(c), (p) and 7)	588	-	588	-	2150	Notes payable	38,393	1	50,983	2
1170	Accounts receivable (notes 6(c) and (p))	437,759	12	28,429	1	2170	Accounts payable	391,676	10	371,418	16
1476	Other current financial assets	10,877	-	2,411	-	2209	Other payables (note 6(q))	49,197	1	39,297	2
130X	Inventories	981	-	981	-	2230	Current tax liabilities	23,870	1	2,626	-
1479	Other current assets	128,589	3	45,050	2	2250	Current provisions (note 6(k))	2,579	-	1,139	-
	Total current assets	<u>3,426,857</u>	<u>92</u>	<u>2,117,925</u>	<u>89</u>	2280	Lease liabilities-current (note 6(j))	4,353	-	5,760	-
						2399	Other current liabilities	43,602	1	1,737	-
							Total current liabilities	<u>2,419,142</u>	<u>65</u>	<u>1,188,618</u>	<u>50</u>
Non-current assets:						Non-Current liabilities:					
1517	Financial assets at fair value through other comprehensive income -non-current (note 6(b))	86,422	3	91,621	4	2570	Deferred tax liabilities (note 6(m))	10,475	-	9,147	-
1535	Non-current financial assets at amortised cost (notes 8 and 9)	7,800	-	-	-	2580	Lease liabilities-non current (note 6(j))	2,263	-	3,984	-
1550	Investments accounted for using equity method (note 6(d))	3,074	-	4,831	1	2640	Net defined benefit liability-non-current (note 6(l))	13,178	1	17,036	1
1600	Property, plant and equipment (notes 6(e) and 8)	146,733	4	146,474	6	2645	Guarantee deposits received	-	-	1,182	-
1755	Right-of-use assets (note 6(g))	6,523	-	9,632	-		Total non-current liabilities	<u>25,916</u>	<u>1</u>	<u>31,349</u>	<u>1</u>
1760	Investment property (note 6(f))	22,938	1	2,573	-		Total liabilities	<u>2,445,058</u>	<u>66</u>	<u>1,219,967</u>	<u>51</u>
1984	Other non-current financial assets	11,592	-	9,272	-	Equity attributable to owners of parent (notes 6(l) and (n)):					
1840	Deferred tax assets (note 6(m))	4,787	-	4,761	-	3110	Ordinary share	722,068	20	707,910	30
1990	Other non-current assets	1,542	-	1,419	-	3200	Capital surplus	10,354	-	10,354	-
	Total non-current assets	<u>291,411</u>	<u>8</u>	<u>270,583</u>	<u>11</u>		Retained earnings:				
						3310	Legal reserve	122,139	3	116,413	5
						3350	Unappropriated retained earnings	370,510	10	287,153	12
								492,649	13	403,566	17
							Other equity interest:				
						3410	Exchange differences on translation of foreign financial statements	1,303	-	(5,324)	-
						3420	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	46,836	1	52,035	2
								48,139	1	46,711	2
							Total equity	<u>1,273,210</u>	<u>34</u>	<u>1,168,541</u>	<u>49</u>
Total assets		<u>\$ 3,718,268</u>	<u>100</u>	<u>2,388,508</u>	<u>100</u>	Total liabilities and equity		<u>\$ 3,718,268</u>	<u>100</u>	<u>2,388,508</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(p) and 7)	\$ 2,458,496	100	1,795,993	100
5000	Operating costs (notes 6(e), (g), (k), (l) and 7)	2,238,703	91	1,665,436	93
	Gross profit from operations	219,793	9	130,557	7
	Operating expenses (notes 6(c), (e), (g), (j), (l), (q) and 7):				
6200	Administrative expenses	77,890	3	65,330	4
6450	Expected credit loss	6,617	-	2,707	-
	Total operating expenses	84,507	3	68,037	4
	Net operating income	135,286	6	62,520	3
	Non-operating income and expenses (notes 6(d), (j) and (r)):				
7010	Other income	4,077	-	4,314	-
7020	Other gains and losses	20,534	1	(1,438)	-
7050	Finance costs	(2,156)	-	(405)	-
7100	Interest income	2,909	-	1,030	-
7060	Share of profit of associates accounted for using equity method	(1,757)	-	(1,169)	-
	Total non-operating income and expenses	23,607	1	2,332	-
7900	Profit before tax	158,893	7	64,852	3
7950	Less: Income tax expenses (note 6(m))	29,882	1	9,113	-
	Profit	129,011	6	55,739	3
8300	Other comprehensive income (notes 6(l) and (n)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	2,546	-	1,517	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,199)	-	(8,288)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(2,653)	-	(6,771)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	6,627	-	(1,624)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	6,627	-	(1,624)	-
8300	Other comprehensive income	3,974	-	(8,395)	-
	Total comprehensive income	\$ <u>132,985</u>	<u>6</u>	<u>47,344</u>	<u>3</u>
	Profit attributable to:				
	Owners of parent	\$ <u>129,011</u>	<u>6</u>	<u>55,739</u>	<u>4</u>
	Comprehensive income attributable to:				
	Owners of parent	\$ <u>132,985</u>	<u>6</u>	<u>47,344</u>	<u>3</u>
	Earnings per share (expressed in New Taiwan dollars) (note 6(o))				
9750	Basic earnings per share	\$ <u>1.79</u>		<u>0.77</u>	
9850	Diluted earnings per share	\$ <u>1.77</u>		<u>0.77</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings			Other equity interest		Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	\$ 707,910	10,354	114,520	253,027	(3,700)	60,323	1,142,434
Profit	-	-	-	55,739	-	-	55,739
Other comprehensive income	-	-	-	1,517	(1,624)	(8,288)	(8,395)
Total comprehensive income	-	-	-	57,256	(1,624)	(8,288)	47,344
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	1,893	(1,893)	-	-	-
Cash dividends of ordinary share	-	-	-	(21,237)	-	-	(21,237)
Balance at December 31, 2021	707,910	10,354	116,413	287,153	(5,324)	52,035	1,168,541
Profit	-	-	-	129,011	-	-	129,011
Other comprehensive income	-	-	-	2,546	6,627	(5,199)	3,974
Total comprehensive income	-	-	-	131,557	6,627	(5,199)	132,985
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	5,726	(5,726)	-	-	-
Cash dividends of ordinary share	-	-	-	(28,316)	-	-	(28,316)
Stock dividends of ordinary share	14,158	-	-	(14,158)	-	-	-
Balance at December 31, 2022	\$ 722,068	10,354	122,139	370,510	1,303	46,836	1,273,210

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 158,893	64,852
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	9,339	9,174
Amortization expense	507	330
Expected credit loss	6,617	2,707
Interest expense	2,156	405
Interest income	(2,909)	(1,030)
Dividend income	(2,487)	(2,559)
Share of profit or loss of associates accounted for using equity method	1,757	1,169
Gains or loss on disposal of property, plant and equipment	101	(526)
Gains or loss on disposal of investment properties	(985)	(3,117)
Gains or loss on lease modification	-	(3)
Total adjustments to reconcile profit (loss)	14,096	6,550
Changes in operating assets and liabilities:		
Increase in contract assets	(207,784)	(254,697)
Decrease (increase) in notes receivable	714	(714)
Decrease (increase) in accounts receivable	(415,947)	53,982
Increase in other current assets	(83,539)	(33,995)
Decrease (increase) in other financial assets	(8,369)	559
Decrease (increase) in current financial assets at amortised cost	(864,334)	256,124
Increase in non-current financial assets at amortised cost	(7,800)	-
Total changes in operating assets	(1,587,059)	21,259
Increase (decrease) in contract liabilities	769,661	(206,751)
Decrease in notes payable	(12,590)	(360)
Increase in accounts payable	20,258	235,864
Increase in other payables	9,620	1,945
Increase (decrease) in provisions	1,440	(37)
Increase (decrease) in other current liabilities	41,802	(182)
Decrease in net defined benefit liability	(1,312)	(1,296)
Total changes in operating liabilities	828,879	29,183
Total changes in operating assets and liabilities	(758,180)	50,442
Total adjustments	(744,084)	56,992
Cash (outflow) inflow generated from operations	(585,191)	121,844
Interest received	2,812	1,021
Dividends received	2,487	2,559
Income taxes paid	(7,336)	(17,838)
Net cash flows from (used in) operating activities	(587,228)	107,586
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	-	(6,000)
Acquisition of property, plant and equipment	(2,580)	(2,127)
Proceeds from disposal of property, plant and equipment	-	986
Increase in other non-current assets	(630)	(1,450)
Acquisition of investment properties	(28,323)	(2,736)
Proceeds from disposal of investment properties	9,817	18,391
Increase in other non-current financial assets	(2,320)	(3,016)
Net cash flows from (used in) investing activities	(24,036)	4,048
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	885,509	386,215
Decrease in short-term borrowings	(677,554)	(252,222)
Increase in long-term borrowing, current portion	32,498	43,104
Increase in short-term notes and bills payable	290,000	99,795
Decrease in short-term notes and bills payable	(150,000)	-
Decrease in guarantee deposits received	(1,119)	(3)
Payment of lease liabilities	(6,281)	(6,071)
Cash dividends paid	(28,316)	(21,237)
Interest paid	(12,932)	(5,172)
Net cash flows from financing activities	331,805	244,409
Effect of exchange rate changes on cash and cash equivalents	4,896	(1,093)
Net (decrease) increase in cash and cash equivalents	(274,563)	354,950
Cash and cash equivalents at beginning of period	580,472	225,522
Cash and cash equivalents at end of period	\$ 305,909	580,472

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Founded in August 1982, King Polytechnic Engineering Co., Ltd. (“the Company”) was formerly known as King Poly Machinery Industry Co., Ltd. before the name change made official in December 1997.

The Company and its subsidiaries (“the Group”) mainly engage in the design and installation of chemical machinery and sterile dust-free equipment, networking, investment, as well as production, sale, installation and maintenance of high-tech purification equipment, civil construction, transportation and sale of sediments, trading in construction materials, development, leasing and sale of housing units and buildings, etc.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2023.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022.

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(4) Summary of significant accounting policies:

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. 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. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets and liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage	
			December 31, 2022	December 31, 2021
The company	KPEC International Investment & Development Corp. ("KPEC International Investment & Development")	Investment activities	100.00 %	100.00 %
The company	Hong-siang Co., Ltd. ("Hong-siang")	Civil construction and related businesses like transportation and sale of sediments, and trading of building materials	100.00 %	100.00 %
The company	Reliant Real Estate Development Co., Ltd. ("Reliant")	Residential building development, leasing and sale, as well as real estate trading	100.00 %	100.00 %
The company	King Polytechnic (Texas) Corporation ("KPTC")	Construction projects of petrochemical and chemical plants	100.00 %	100.00 %

(Note): The financial statements of the aforementioned subsidiaries were audited by KPMG Taiwan.

(iii) Subsidiaries excluded the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group 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 issuing equity instruments do not affect its classification.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits. Cash equivalents are shortterm, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting shortterm cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Account receivables is initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The interest expenses that should be borne by the payments made before the ongoing construction in progress reaches usable or completed status are all capitalized and recognized as inventory costs.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and structures	5~40 years
2) Equipment	2~7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Investment property

Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

For the office equipment and transportation equipment, the Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(m) Impairment of non financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
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For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Revenue from contracts with customers

(i) Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Construction contracts

The Group enters into contracts to chemical machinery, high-tech purification equipment and related installation, public constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days), accumulated experience is used to estimate the amount of variable consideration, using the expected value method. For other variable considerations, the Group estimates the amount of variable consideration using the most likely amount, the Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

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KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
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If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

2) Sale of real estate

The Group develops and sells properties and usually sales properties in advance during construction or before construction begins. The recognition of the attributable year of the profit and loss is based on the legal title of a property has been transferred and the actual house handover. However, if the legal title of a property has been transferred (the house is hand over) before the reporting date but the house is hand over (the legal title of a property has been transferred) only in subsequent period, the revenue is also recognized upon the legal title of a property has been transferred (the house is hand over).

(ii) Contract costs

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(Continued)

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- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

- (s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgements made in applying accounting policies do not have significant effects on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

- Revenue recognition

Contract revenue are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. However, the Group's management estimated the total costs and contract items based on past experience, so as to assess the reasonableness of future costs needed, which might impact the percentage of completion as well as the profit or loss of the construction projects.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 298	298
Petty cash	2,922	2,472
Checking deposits	117,349	74,259
Demand deposits	128,715	380,826
Time deposits	<u>56,625</u>	<u>122,617</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 305,909</u>	<u>580,472</u>

The Group's time deposits held in response to construction project borrowings and contractual period over three months are classified as current financial assets at amortized cost were as follows:

	December 31, 2022	December 31, 2021
	<u>\$ 134,464</u>	<u>126,978</u>

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- (b) Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Listed companies stocks	<u>\$ 86,422</u>	<u>91,621</u>

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

The above-mentioned financial assets were not pledged as security; please refer to 6(s) for market risk information.

- (c) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable – measured at amortized cost	\$ -	714
Notes receivable – related parties	588	588
Accounts receivable – measured at amortized cost	437,759	31,136
Less: allowance for impairment	<u>-</u>	<u>(2,707)</u>
	<u>\$ 438,347</u>	<u>29,731</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The loss allowance provision were determined as follows:

	December 31, 2022		
	Note and account receivable carrying amount	Weighted - average loss rate	Loss allowance provision
Not overdue	<u>\$ 438,347</u>	-	<u>-</u>
	December 31, 2021		
	Note and account receivable carrying amount	Weighted - average loss rate	Loss allowance provision
Not overdue	\$ 29,731	-	-
Overdue 31 ~ 90 days	2,707	100%	2,707
	<u>\$ 32,438</u>		<u>2,707</u>

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KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
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The movements in the allowance for notes and accounts receivable were as follow:

	<u>2022</u>	<u>2021</u>
Balance on January 1	\$ 2,707	-
Impairment losses recognized	6,617	2,707
Amounts written off	<u>(9,324)</u>	<u>-</u>
Balance on December 31	<u>\$ -</u>	<u>2,707</u>

The aforementioned notes and accounts receivable were not pledged.

(d) Investments accounted for using equity method

The component of investments accounted for using the equity method at reporting date was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates	<u>\$ 3,074</u>	<u>4,831</u>

In October 2021, the Group acquired 40% or 400 thousand shares of Lnt Technology Co., Ltd. for \$6,000 in cash, resulting in the Group to have significant influence over it. Related information was as follows:

<u>Name of Associates</u>	<u>Operation</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lnt Technology Co., Ltd.	Wholesale and installation of electrical appliances	Taoyuan City	40 %	40 %

The Group's financial information on investments accounted for using the equity method that are individually insignificant was as follows. This financial information is included in the consolidated financial statements:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of individually insignificant associates' equity	<u>\$ 3,074</u>	<u>4,831</u>
Attributable to the Group:	<u>2022</u>	<u>2021</u>
Profit (loss) from continuing operations	\$ (1,757)	(1,169)
Other comprehensive (loss) income	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ (1,757)</u>	<u>(1,169)</u>

The investments accounted for using equity method were no pledged.

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(e) Property, plant and equipment

	<u>Land</u>	<u>Building and structures</u>	<u>Equipment</u>	<u>Total</u>
Cost:				
Beginning balance as of January 1, 2022	\$ 112,942	43,167	23,795	179,904
Additions	-	-	2,580	2,580
Disposals	-	-	(530)	(530)
Effect of exchange rate changes	<u>170</u>	<u>668</u>	<u>134</u>	<u>972</u>
Balance as of December 31, 2022	<u>\$ 113,112</u>	<u>43,835</u>	<u>25,979</u>	<u>182,926</u>
Beginning balance as of January 1, 2021	\$ 112,988	43,344	26,395	182,727
Additions	-	-	2,127	2,127
Disposals	-	-	(4,660)	(4,660)
Effect of exchange rate changes	<u>(46)</u>	<u>(177)</u>	<u>(67)</u>	<u>(290)</u>
Balance as of December 31, 2021	<u>\$ 112,942</u>	<u>43,167</u>	<u>23,795</u>	<u>179,904</u>
Accumulated depreciation:				
Beginning balance as of January 1, 2022	\$ -	14,308	19,122	33,430
Depreciation expenses	-	1,053	2,024	3,077
Disposals	-	-	(429)	(429)
Effect of exchange rate changes	<u>-</u>	<u>32</u>	<u>83</u>	<u>115</u>
Balance as of December 31, 2022	<u>\$ -</u>	<u>15,393</u>	<u>20,800</u>	<u>36,193</u>
Beginning balance as of January 1, 2021	\$ -	12,871	21,527	34,398
Depreciation expenses	-	1,445	1,830	3,275
Disposals	-	-	(4,200)	(4,200)
Effect of exchange rate changes	<u>-</u>	<u>(8)</u>	<u>(35)</u>	<u>(43)</u>
Balance as of December 31, 2021	<u>\$ -</u>	<u>14,308</u>	<u>19,122</u>	<u>33,430</u>
Book value:				
Balance as of December 31, 2022	<u>\$ 113,112</u>	<u>28,442</u>	<u>5,179</u>	<u>146,733</u>
Balance as of January 1, 2021	<u>\$ 112,988</u>	<u>30,473</u>	<u>4,868</u>	<u>148,329</u>
Balance as of December 31, 2021	<u>\$ 112,942</u>	<u>28,859</u>	<u>4,673</u>	<u>146,474</u>

The Group's land and building and structure were used as pledged for borrowings and line of credit, and they are disclosed in note 8.

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(f) Investment property

	<u>Owned property</u>		<u>Total</u>
	<u>Land</u>	<u>Construction in progress</u>	
Cost:			
Beginning balance as of January 1, 2022	\$ 2,227	346	2,573
Acquisitions	-	28,323	28,323
Disposals	-	(8,832)	(8,832)
Effect on exchange rate changes	244	630	874
Balance as of December 31, 2022	<u>\$ 2,471</u>	<u>20,467</u>	<u>22,938</u>
Beginning balance as of January 1, 2021	\$ 3,656	11,739	15,395
Acquisitions	-	2,736	2,736
Disposals	(1,342)	(13,932)	(15,274)
Effect on exchange rate changes	(87)	(197)	(284)
Balance as of December 31, 2021	<u>\$ 2,227</u>	<u>346</u>	<u>2,573</u>
Book value:			
Balance as of December 31, 2022	<u>\$ 2,471</u>	<u>20,467</u>	<u>22,938</u>
Balance as of January 1, 2021	<u>\$ 3,656</u>	<u>11,739</u>	<u>15,395</u>
Balance as of December 31, 2021	<u>\$ 2,227</u>	<u>346</u>	<u>2,573</u>

The Group's investment properties were not pledged.

(g) Right-of-use assets

The movements in the Group's leases on buildings and structures and transportation equipment were as follows:

	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Total</u>
	Cost:		
Beginning balance as of January 1, 2022	\$ 16,750	999	17,749
Additions	3,153	-	3,153
Balance as of December 31, 2022	<u>\$ 19,903</u>	<u>999</u>	<u>20,902</u>
Beginning balance as of January 1, 2021	\$ 16,423	999	17,422
Additions	1,804	-	1,804
Disposals	(1,477)	-	(1,477)
Balance as of December 31, 2021	<u>\$ 16,750</u>	<u>999</u>	<u>17,749</u>
Accumulated depreciation:			
Beginning balance as of January 1, 2022	\$ 7,701	416	8,117
Depreciation expense	5,929	333	6,262
Balance as of December 31, 2022	<u>\$ 13,630</u>	<u>749</u>	<u>14,379</u>

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	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Total</u>
Beginning balance as of January 1, 2021	\$ 3,215	83	3,298
Depreciation expense	5,566	333	5,899
Disposals	(1,080)	-	(1,080)
Balance as of December 31, 2021	<u>\$ 7,701</u>	<u>416</u>	<u>8,117</u>
Book value:			
Balance as of December 31, 2022	<u>\$ 6,273</u>	<u>250</u>	<u>6,523</u>
Balance as of January 1, 2021	<u>\$ 13,208</u>	<u>916</u>	<u>14,124</u>
Balance as of December 31, 2021	<u>\$ 9,049</u>	<u>583</u>	<u>9,632</u>

(h) Long-term and short-term borrowings

	<u>December 31, 2022</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amount</u>
Unsecured bank loans	NTD	2.00%~2.77%	2023	\$ 409,832
Secured bank loans	NTD	2.30%~2.79%	2023	100,000
Subtotal				509,832
Unsecured long-term bank loans (current)	NTD	2.25%~2.47%	2024~2027	75,602
Total				<u>\$ 585,434</u>
Unused credit line				<u>\$ 2,246,551</u>
	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.15%~2.00%	2022	\$ 236,877
Secured bank loans	NTD	1.67%~2.16%	2022	65,000
Subtotal				301,877
Unsecured long-term bank loans (current)	NTD	1.75%~1.80%	2024~2027	43,104
Total				<u>\$ 344,981</u>
Unused credit line				<u>\$ 2,552,696</u>

For the collateral for borrowings, please refer to note 8.

In addition, for the loan that was jointly guaranteed by other related parties, please refer to note 7.

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(i) Short-term notes and bills payable

The details of short-term notes and bills payable were as follows:

December 31, 2022			
	Guarantee or acceptance institution	Interest rate	Amount
Commercial papers payable	China Bills Finance Co., Ltd.	2.300%~2.310%	\$ 100,000
Commercial papers payable	Mega Bills Finance Co., Ltd.	2.400%	60,000
Commercial papers payable	International Bills Finance Co., Ltd.	2.458%	50,000
Commercial papers payable	Dah chung Bills Finance Co., Ltd.	2.262%	50,000
Commercial papers payable	Taiwan Bills Finance Co., Ltd.	2.300%	30,000
Less: discount			(505)
Total			\$ 289,495
December 31, 2021			
	Guarantee or acceptance institution	Interest rate	Amount
Commercial papers payable	Mega Bills Finance Co., Ltd.	1.212%	\$ 50,000
Commercial papers payable	China Bills Finance Co., Ltd.	0.300%	50,000
Commercial papers payable	International Bills Finance Co., Ltd.	0.612%	50,000
Less: discount			(205)
Total			\$ 149,795

The above-mentioned short-term notes and bills are unsecured commercial papers with a maturity period of less than 365 days issued by financial institutions.

In addition, for the loan that was jointly guaranteed by other related parties, please refer to note 7.

(j) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	December 31, 2022	December 31, 2021
Current	\$ 4,353	\$ 5,760
Non-current	\$ 2,263	\$ 3,984

For the maturity analysis, please refer to note 6(s).

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ 172	\$ 243
Cost and expenses relating to short-term leases	\$ 136	\$ 95

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The amounts recognized in the statement of cash flows by the Group were as follows:

	2022	2021
Total cash outflow for leases	\$ 6,589	6,409

(i) Building and structures leases

The Group leases buildings and structures as its offices and staff dormitories. Office leases normally run for a period of 3 years, while staff dormitories leases run for 2 to 5 years.

(ii) Other leases

The Group leases transportation equipment, with lease terms of 3 years.

Additionally, the Group leases office equipment and transportation equipment, some of which are short-term. The Group has elected to apply exemption and not to recognize related right-of-use assets and lease liabilities.

(k) Provisions

	December 31, 2022	December 31, 2021
The movements of warranty provisions:		
Beginning balance at January 1	\$ 1,139	1,176
Provisions added	1,582	100
Provisions used	(142)	(137)
Balance at December 31	\$ 2,579	1,139

Warranty provisions are related to construction works and will be incurred after one to five years after acceptance of the works according to the contracts. Warranty provisions are estimated based on historical warranty data for similar works.

(l) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 43,965	43,961
Fair value of plan assets	(30,787)	(26,925)
Net defined benefit liabilities	\$ 13,178	17,036

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The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service, and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$30,787 as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the Group were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations on January 1	\$ 43,961	49,391
Current service costs and interests	275	299
Net remeasurements of defined benefit liability	(271)	(1,042)
Benefits paid by the plan	-	(4,687)
Defined benefit obligations on December 31	<u>\$ 43,965</u>	<u>43,961</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 26,925	29,542
Interest income	116	104
Net remeasurements of defined benefit assets	2,275	475
Amounts contributed to plan	1,471	1,491
Benefit paid by the plan	-	(4,687)
Fair value of plan assets on December 31	<u>\$ 30,787</u>	<u>26,925</u>

(Continued)

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4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 98	96
Net interest on the net defined benefit liabilities	61	99
	<u>\$ 159</u>	<u>195</u>

5) The remeasurements of the net defined benefit liabilities recognized in other comprehensive income

The remeasurements of net defined benefit liability recognized in other comprehensive income were as follows:

	<u>2022</u>	<u>2021</u>
Cumulative amount on January 1	\$ (5,628)	(4,111)
Recognized for the period	(2,546)	(1,517)
Cumulative amount on December 31	<u>\$ (8,174)</u>	<u>(5,628)</u>

6) Actuarial assumptions

The rate applied in calculating the present value of defined benefit obligations at the reporting date was as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	1.500 %	0.500 %
Future salary growth rate	1.500 %	1.500 %

The contributions to be made to the defined benefit plans within 1 year after December 31, 2022 amounted to \$203.

The weighted average of the defined benefit plans is 8.7 years.

7) Sensitivity analysis

The changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligations:

	Effects on the defined benefit obligations	
	<u>Increase</u>	<u>Decreased</u>
December 31, 2022		
0.25% decrease (increase) in discount rate	\$ 318	(310)
0.25% increase (decrease) in future salary growth rate	302	(297)
December 31, 2021		
0.25% decrease (increase) in discount rate	399	(383)
0.25% increase (decrease) in future salary growth rate	375	(366)

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Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

Obligations for contributions to defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group's allocates \$10,033 and \$9,191 as pension costs under the defined contribution plans in 2022 and 2021, respectively.

(m) Income taxes

(i) Income tax expense

The Components of income tax were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 28,580	8,319
Deferred tax expense		
Origination and reversal of temporary differences	1,302	794
Income tax expense	<u>\$ 29,882</u>	<u>9,113</u>

For 2022 and 2021, there were no income taxes directly recognized in equity and other comprehensive income.

Reconciliations of income tax and profit before tax for 2022 and 2021 were as follows :

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$ 158,893</u>	<u>64,852</u>
Income tax using the Company's domestic tax rate	\$ 31,779	12,970
Effect of tax rates in foreign jurisdiction	(1,840)	(236)
Exempt income	(497)	(512)
Changes in unrecognized temporary differences	(185)	(3,896)
Undistributed earnings additional tax	453	-
Others	172	787
Total	<u>\$ 29,882</u>	<u>9,113</u>

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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

The Group's unrecognized deferred tax assets were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Loss carryforward	<u>\$ 53,439</u>	<u>51,976</u>

The R.O.C. Income Tax Act allows net losses to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
2013	\$ 1,468	2023
2014	3,398	2024
2015	652	2025
2016	3,770	2026
2017	14,091	2027
2018	1,821	2028
2019	1,674	2029
2020	24,529	2030
2021	761	2031
2022	<u>1,275</u>	2032
	<u>\$ 53,439</u>	

2) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Aggregate amount of temporary differences related to investment subsidiaries	<u>\$ 61,454</u>	<u>51,047</u>

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3) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

	<u>Defined benefit plans</u>	<u>Warranty expenses</u>	<u>Total</u>
Beginning balance as of January 1, 2022	\$ 4,533	228	4,761
Recognized in profit or loss	(262)	288	26
Balance as of December 31, 2022	<u>\$ 4,271</u>	<u>516</u>	<u>4,787</u>
Beginning balance as of January 1, 2021	\$ 4,792	235	5,027
Recognized in profit or loss	(259)	(7)	(266)
Balance as of December 31, 2021	<u>\$ 4,533</u>	<u>228</u>	<u>4,761</u>

Deferred tax liabilities:

	<u>Profit (loss) of foreign investments evaluated and recognized using equity method</u>	<u>Others</u>	<u>Total</u>
Beginning balance as of January 1, 2022	\$ 8,237	910	9,147
Recognized in profit or loss	954	374	1,328
Balance as of December 31, 2022	<u>\$ 9,191</u>	<u>1,284</u>	<u>10,475</u>
Beginning balance as of January 1, 2021	\$ 8,520	99	8,619
Recognized in profit or loss	(283)	811	528
Balance as of December 31, 2021	<u>\$ 8,237</u>	<u>910</u>	<u>9,147</u>

(iii) The Company's tax returns for all years through 2020 were assessed by the tax authorities.

(n) Capital and other equity

As of December 31, 2022 and 2021, the Company's authorized common share consisted of 100,000 thousand shares with a par value of NT\$10 per share, amounting to \$1,000,000; of which 72,207 thousand and 70,791 thousand shares, respectively.

Reconciliations of shares outstanding were as follows:

	(In thousands of shares)	
	<u>Ordinary share</u>	
	<u>2022</u>	<u>2021</u>
January 1, 2022	\$ 70,791	70,791
Capital increase out of earnings	1,416	-
December 31, 2022	<u>\$ 72,207</u>	<u>70,791</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Ordinary shares

The Company carried out a capital increase out of the shareholders' dividends amounting to \$14,158, wherein a total of 1,416 thousand new shares were issued, based on the resolution decided during the shareholders' meeting held on June 24, 2022, with the approval of the Financial Supervisory Commission. Furthermore, the Board of Directors resolved to set the base date on November 28, 2022. All relevant statutory registration procedures have been completed as of the reporting date.

(ii) Capital surplus

The components were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital from bond	\$ 10,354	10,354

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that Company's annual earnings shall first be used to pay taxes and offset losses accumulated during prior years. Of the remaining balance, 10% is to be appropriated as legal reserve, unless the amount of legal reserve has already reached that of the total paid-in capital. In addition, special reserve shall be appropriated according to related laws and regulations. The remaining portion, together with any unappropriated earnings, shall be appropriated according to the Board's proposal and submitted to a shareholders' meeting for approval.

The Company engages in construction services, which is capital and technology intensive. In terms of life cycle, it is in the phase of stable growth. Taking into account both the management principle of sound financial structure and the life cycle of each business, it is necessary to retain earnings to meet business growth and investment needs. At this stage, the Company is adopting a residual dividend policy, according to which the percentages of share dividends (including dividends out of earnings and reserves) and cash dividends are appropriated based on the Company's capital needs; however, share dividends shall not be less than 20%. When the board resolves that dividends will be paid, such dividends can be paid in full or in part, if the closing market price of the Company's ordinary shares is less than the par value on the day before the board meeting.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the shareholders meeting on June 24, 2022 and August 26, 2021, respectively. The relevant dividend distributions to shareholder were as follow:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share (dollars)</u>	<u>Total amount</u>	<u>Amount per share (dollars)</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.4	\$ 28,316	0.3	21,237
Shares	0.2	<u>14,158</u>	-	<u>-</u>
Total		<u>\$ 42,474</u>		<u>21,237</u>

On March 13, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	<u>2022</u>	
	<u>Amount per share (dollars)</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.9	\$ 64,986
Shares	0.3	<u>21,662</u>
Total		<u>\$ 86,648</u>

(iv) Other comprehensive income accumulated in reserves, net of tax

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance as of January 1, 2022	\$ (5,324)	52,035	46,711
Exchange differences on foreign operations	6,627	-	6,627
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(5,199)	(5,199)
Balance as of December 31, 2022	<u>\$ 1,303</u>	<u>46,836</u>	<u>48,139</u>
Balance as of January 1, 2021	\$ (3,700)	60,323	56,623
Exchange differences on foreign operations	(1,624)	-	(1,624)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(8,288)	(8,288)
Balance as of December 31, 2021	<u>\$ (5,324)</u>	<u>52,035</u>	<u>46,711</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Earnings per share

The calculation of basic and diluted earnings per share (unit: New Taiwan dollar) were as follows:

(i) Basic earnings per share:

	<u>2022</u>	<u>2021</u>
Profit attributable to common shareholders of the Company	\$ <u>129,011</u>	<u>55,739</u>
Weighted-average common stock outstanding (in thousands)	<u>72,207</u>	<u>72,207</u>
Basic earnings per share (dollars)	\$ <u>1.79</u>	<u>0.77</u>

(ii) Diluted earnings per share:

	<u>2022</u>	<u>2021</u>
Profit attributable to common shareholders of the Company	\$ <u>129,011</u>	<u>55,739</u>
Weighted-average common stock outstanding (in thousands shares)	72,207	72,207
Ordinary shares-employees's compensation (in thousands shares)	<u>820</u>	<u>499</u>
Weighted-average common stock outstanding (diluted) (in thousands shares)	<u>73,027</u>	<u>72,706</u>
Diluted earnings per share (dollars)	\$ <u>1.77</u>	<u>0.77</u>

(p) Revenue from contracts with customers

(i) Details of revenue were as follows:

	<u>2022</u>	<u>2021</u>
Timing of revenue were as recognition:		
Projects transferred over time	\$ 2,458,496	1,795,875
Services transferred over time	<u>-</u>	<u>118</u>
Total	\$ <u>2,458,496</u>	<u>1,795,993</u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Accounts and notes receivable (including related parties)	\$ 438,347	32,438	85,706
Less: loss allowance	<u>-</u>	<u>(2,707)</u>	<u>-</u>
Total	\$ <u>438,347</u>	<u>29,731</u>	<u>85,706</u>
Contract assets-construction	\$ 1,285,807	1,033,471	770,794
Other contract assets- retention in construction	<u>10,394</u>	<u>44,190</u>	<u>47,044</u>
Total	\$ <u>1,296,201</u>	<u>1,077,661</u>	<u>817,838</u>
Contract liabilities-construction	\$ <u>990,543</u>	<u>220,882</u>	<u>427,633</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
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For notes and accounts receivable as well as the impairment, please refer to note 6(c).

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There was no significant changes during the period.

For 2022 and 2021, capitalization of the Group's contract assets are calculated using a rate of 2.00%~2.79% and 0.30% ~2.16%, respectively. For the amount of capitalized interest, please refer to note 6(r).

(q) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's Articles of Incorporation, if there is profit for the year, the company shall appropriate 8% as employee's remuneration. The board of directors shall decide to distribute the remuneration in the form of shares or cash, and the recipients may include the employees of the Company's affiliated companies that meet certain conditions. The board of directors shall decide to accrue up to 2% of the above-mentioned profit as director remuneration. The distribution of remunerations of employees, directors, and supervisors should be reported to the shareholders' meeting.

For 2022 and 2021, employee remunerations were estimated at \$14,026 and \$5,616, and director and supervisor remunerations were estimated at \$3,507 and \$1,404 respectively. The estimated amounts mentioned above were calculated based on the Company's net profit before tax (before deducting the remuneration for employees, directors and supervisors for each period), multiplied by the percentages of remunerations of employees, directors and supervisors as specified in the Company's Articles of Incorporation. These remunerations were expensed under operating expenses for 2022 and 2021. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022 and 2021. The information is available on the Market Observation Post System website.

(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2022</u>	<u>2021</u>
Interest income		
Bank deposits	\$ 2,725	749
Others	184	281
	<u>\$ 2,909</u>	<u>1,030</u>

(ii) Other income

The details of other income were as follows:

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 2,487	2,559
Rent income	1,590	1,755
	<u>\$ 4,077</u>	<u>4,314</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Foreign exchange gain or loss	\$ 15,409	(6,216)
Gains or losses on disposals of property, plant and equipment	(101)	526
Gains or losses on disposals of investment property	985	3,117
Others	4,241	1,132
Profit from lease modification	-	3
	<u>\$ 20,534</u>	<u>(1,438)</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2022</u>	<u>2021</u>
Interest expense-bank borrowings	\$ 12,912	5,531
Less: capitalization of interest	(10,756)	(5,126)
	<u>\$ 2,156</u>	<u>405</u>

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum exposed to credit risk mainly from the carrying amount of financial assets and contract assets.

2) Circumstances of concentration of credit risk

If the Group's financial instrument transactions concentrate within few counterparties, or if financial instrument transactions do not concentrate within few counterparties but most of the counterparties engage in similar business activities and have similar economic characteristics, which affects their ability to meet contractual obligations under economic or other circumstances, then the credit risk is concentrated. The Group's notes and accounts receivable were concentrated within few counterparties as follows:

	<u>December 31, 2022</u>	
	<u>Amount</u>	<u>Percentage of receivables</u>
D Company	\$ 79,123	18.05
S Company	59,816	13.65
C Company	288,674	65.86

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KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021	
	Amount	Percentage of receivables
H Company	\$ 10,057	31.00
T Company	5,328	16.43

3) Credit risk of receivables

For credit risk exposure of notes and accounts receivable, please refer to note 6(c).

Additionally, as of December 31, 2022 and 2021, there were no overdue financial assets at amortized cost for which impairment was not recognized; no impairment was recognized during 2022 and 2021.

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 509,832	515,143	515,143	-	-	-
Long-term borrowings maturing within the period of operating cycle	75,602	80,709	1,755	46,568	32,386	-
Short-term notes and bills payable	289,495	290,000	290,000	-	-	-
Notes and accounts payable	430,069	430,069	430,069	-	-	-
Other payables	49,197	49,197	49,197	-	-	-
Lease liabilities (including current and non-current)	6,616	6,759	4,433	1,064	1,262	-
Guarantee deposits received	63	63	63	-	-	-
	\$ 1,360,874	1,371,940	1,290,660	47,632	33,648	-
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 301,877	303,416	303,416	-	-	-
Long-term borrowings maturing within the period of operating cycle	43,104	46,624	763	763	17,911	27,187
Short-term notes and bills payable	149,795	150,000	150,000	-	-	-
Notes and accounts payable	422,401	422,401	422,401	-	-	-
Other payables	39,297	39,297	39,297	-	-	-
Lease liabilities (including current and non-current)	9,744	9,928	5,901	3,609	418	-
Guarantee deposits received	1,182	1,182	1,069	113	-	-
	\$ 967,400	972,848	922,847	4,485	18,329	27,187

The Group are not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposure to foreign currency risk were as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency (in thousands)	Exchange rate	NTD	Foreign currency (in thousands)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 4,140	30.71	127,139	8,089	27.68	223,904

2) Sensitivity analysis

The Group's exposure to foreign currency risks arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents. A (strengthening) weakening of 1% of the NTD against the USD as of December 31, 2022 and 2021, would have changed the profits (loss) before tax by \$1,271 and \$2,239, respectively. The analysis is performed on the same basis for 2022 and 2021.

3) Foreign exchange gain and loss on monetary items

The Group's exchange gains or losses, including realized and unrealized portions, of monetary items convert to amount of functional currency, information about exchange rate os as below:

	2022		2021	
	Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
NTD	\$ 15,409	-	(6,216)	-

(iv) Interest rate risk

Please refer to the notes on liquidity risk and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. For liabilities at variable interest rates, the analysis is based on the assumption that the outstanding amount of assets on the reporting date was outstanding throughout the year.

If the interest rate increases (decreased) by 1% with all over variable factors that remain constant, the profit (loss) before tax of the Company would have changed \$8,749 and \$4,948 for the years ended December 31, 2022 and 2021, respectively, due to the Group's floating-interest borrowings.

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(v) Other market price risk

If the price of the securities changes, and it is on the same basis for both years and assumes that all other variables remain the same, the impact on comprehensive income will be as follows:

Prices of securities at the reporting date	2022		2021	
	Other comprehensive income, net of tax	Profits (losses)	Other comprehensive income, net of tax	Profits (losses)
Increasing 1%	\$ 864	-	916	-
Decreasing 1%	\$ (864)	-	(916)	-

(vi) Fair value

1) Categories and fair values of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities; except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

	December 31, 2022				
	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed companies stock	\$ 86,422	86,422	-	-	86,422
	December 31, 2021				
	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed companies stock	\$ 91,621	91,621	-	-	91,621

2) Valuation techniques and assumptions used in fair value determination

The listed companies stock was traded in the active market and its fair value was based on the quoted market price accordingly.

3) There were no level transfers during 2022 and 2021.

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KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
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(t) Management of financial risk

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Group's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as note to the financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The chairman is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Auditor. Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank saving. °

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Additionally, please see note 6(h) for the Group's unused credit lines for borrowings and performance guarantees as of December 31, 2022 and 2021.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group has not engaged in derivative instrument transactions, and has not incurred financial liabilities as a result.

(u) Capital management

The Board of Director's policy is to maintain a strong capital base so as to maintain the confidence of investor, creditor and market, and to sustain future business development. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity.

The debt-to-equity ratios on the reporting dates were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 2,445,058	1,219,967
Less: cash and cash equivalents	<u>305,909</u>	<u>580,472</u>
Net liabilities	<u>\$ 2,139,149</u>	<u>639,495</u>
Total equity	<u>\$ 1,273,210</u>	<u>1,168,541</u>
Debt-to-equity ratio	<u>168.01 %</u>	<u>54.73 %</u>

The increase in the debt-to-capital ratio on December 31, 2022 was mainly due to the increase in contract liabilities.

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- (v) Investing and financing activities not affecting current cash flow

Reconciliation was as follows:

	January 1, 2022	Cash flows	Non-cash changes	December 31, 2022
Lease liabilities	\$ 9,744	(6,281)	3,153	6,616
	January 1, 2021	Cash flows	Non-cash changes	December 31, 2021
Lease liabilities	\$ 14,168	(6,071)	1,647	9,744

(7) Related-party transactions

- (a) Name and relationship with the Company

Name of related party	Relationship with the Company
Taiwan Benefit Company	Same director as the Company
Lnt Technology Co. Ltd.	Same director as the Company
Mr. Hong Jian Feng	The Company's chairman
Mr. Hong Zhen Pan	The Company's director

- (b) Significant transactions with related parties

- (i) Operating revenue

The amounts of the Group's revenues from related parties were as follows:

	2022	2021
Other related parties	\$ 560	1,120

Regarding the Group's income from related parties, the transaction prices were not significantly different from those of the customer.

- (ii) Operating cost

The amounts of the costs of the Group's construction contracts with related parties were as follows:

	2022	2021
Other related parties	\$ 360	-

Except for the offset amounts arising from other business transactions, the price and payment term of a related-party transaction are not significantly different from those of manufacturers; additionally, the payment is made in accordance with contractual terms.

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KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Receivables from related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	Other related parties	\$ <u>588</u>	<u>588</u>

(iv) Dividends received

For the years ended December 31, 2022, the Group's dividends received from other related parties amounted to \$1,118.

(v) Guarantees

The Group's loans and short-term notes and bills payable were jointly guaranteed by Mr. Hong Jian Feng and Mr. Hong Zhen Pan, please refer to note 6(h) and note 6(i).

(c) Key management personnel compensation

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ <u>19,803</u>	<u>18,969</u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current financial assets at amortized cost			
Savings account	Performance bond	\$ 52,355	71,122
Time deposit account	Reserve Account	1,058,134	182,519
Savings account	Short-term borrowings	<u>1,000</u>	<u>1,000</u>
		<u>1,111,489</u>	<u>254,641</u>
Non-current financial assets at amortized cost			
Savings account	Court guaranteed deposits	7,800	-
Land	Short-term borrowings	111,390	111,390
Buildings	Short-term borrowings	<u>22,114</u>	<u>22,998</u>
		<u>\$ 1,252,793</u>	<u>389,029</u>

(9) Commitments and contingencies:

(i) The Group's contractual commitments during the contract periods of various undertaken projects were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Performance obligations guaranteed by bank	\$ <u>2,106,063</u>	<u>1,032,539</u>
Promissory notes issued	<u>\$ 1,024,077</u>	<u>262,885</u>

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KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
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- (ii) As of the year ended December 31, 2022, the contract sums of Group's construction projects put out to contracts totaled \$13,433,929, and the outstanding balance amounted to \$5,398,227.
- (iii) Others:

The Group undertook the Baiyu Bieyuan Construction Project of Da Jie Construction Co., Ltd. (Da Jie), who failed to do its responsibility in inspecting and accepting the finished works according to the contract. Furthermore, it neglected to pay for the fee for the construction and additional works amounting to \$18,771 in aggregate. In the course of negotiations, Da Jie also mentioned that it held a performance bond of \$4,339. In light of the above matter, the Group filed a lawsuit in December 2021, demanding for the payment of the contract sum (including the fee for the additional works and amount of the said performance bond). As of December 31, 2022, the total amount requested was \$23,110. Consequently, the time deposit of \$7,800 was pledged to the court as a guarantee for the application of a warrant to seize property subject to forfeiture. The case was still in progress as of the reporting date.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

A summary of employee benefits, depreciation, and amortization, by function, was as follows:

By item	By function	For the year ended December 31					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		164,245	53,145	217,390	145,645	42,788	188,433
Labor and health insurance		17,761	2,747	20,508	16,403	2,945	19,348
Pension		8,704	1,488	10,192	7,782	1,604	9,386
Others		6,779	1,288	8,067	5,345	1,434	6,779
Depreciation		5,753	3,586	9,339	5,353	3,821	9,174
Depletion		-	-	-	-	-	-
Amortization		189	318	507	65	265	330

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KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
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(13) Other disclosures:**(a) Information on significant transactions:**

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower note	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Hong-siang Co., Ltd.	Other receivable-related parties	Yes	50,000	50,000	7,800	2.3%	2	-	Operating capital	-		-	127,321	509,284

Note 1: Nature of loans to other parties and the numbering method:

1. For a transaction counterparty, please filled in 1.
2. For an entity with short-term financing needs, please fill in 2.

Note 2: The total amount of the Company's loans to other parties shall not exceed 40% of the Company's net worth.

The total amount of loans to any single transaction counterparty shall not exceed the total transaction amount.

The total amount of short-term loans to a single related party is limited to 10% of the Company's net worth.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company note 1										
0	The Company	Hong-siang Co., Ltd.	2	1,273,210	381,492	381,492	381,492	-	29.96 %	1,273,210	Y	N	N

Note 1: There are 7 relationships between the provider and counterparty of endorsement/ guarantee:

1. A transaction counterparty.
2. An entity in which the Company owned more than 50% voting rights, directly or indirectly.
3. The entity owned more than 50% voting rights in the Company, directly or indirectly.
4. The Company owned at least 90% of voting rights in the entity, directly or indirectly.
5. An industry peer or joint builder mutually guaranteed according to a construction contract.
6. An entity endorsed and/or guaranteed by all shareholders in proportion to shareholding percentages for joint investment.
7. An industry peer and joint provider of performance guarantee for a presale house contract pursuant to the Consumer Protection Act.

Note 2: As stipulated in the “Regulations Governing Endorsements and Guarantees”, the aggregate amount of guarantees and endorsements provided by the Company shall not exceed 100% of its net worth, and the guarantees and endorsements provided for a single entity shall not exceed 50% of its net worth, excluding equity-accounted subsidiaries.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest shares for the year	Note
				Shares/Units	Carrying value	Percentage of ownership	Fair value		
The Company	Taiwan Benefit Company's stock	The chairman of these two companies are same person.	Financial assets at fair value through other comprehensive profit and loss	4,472,182	52,325	11.75 %	52,325	4,472,182	
The Company	Lead Data Inc. stock	-	Financial assets at fair value through other comprehensive profit and loss	63,087	177	0.04 %	177	63,087	
The Company	Bioteque Co. stock	-	Financial assets at fair value through other comprehensive profit and loss	304,219	33,920	0.44 %	33,920	304,219	

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Hong-siang Co., Ltd.	The Company	2	Projects revenue	58,820	No significant difference with non-related parties	2.39%
0	The Company	Hong-siang Co., Ltd.	1	Other receivables	7,800	Annual interest rate of 2.3%	0.21%

Note 1: Entities are numbered as follows:

1. Parent company-0
2. Subsidiary starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:

- Parent company to subsidiary-1
- Subsidiary to parent company-2
- Subsidiary to Subsidiary-3

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest shares for the year	Net income (losses) of investee	Share of profits/losses of investee	Notes
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
The Company	KPEC International Investment & Development Corp.	The British Virgin Islands	Investment in Mainland China	-	-	1	100.00 %	45,957	1	4,769	4,769	Note
The Company	Hong-siang Co., Ltd.	Taipei City	Civil construction and related businesses like transportation and sale of sediments, and trading of building materials	68,000	68,000	6,800,000	100.00 %	77,634	6,800,000	13,760	13,760	Note
The Company	Reliant Real Estate Development Co., Ltd.	Taipei City	Residential building development, leasing and sale, as well as real estate trading	52,500	52,500	5,250,000	100.00 %	28,012	5,250,000	(1,275)	(1,275)	Note
The Company	King Polytechnic (Texas) Corporation	United States	Construction of petrochemical and chemical plants	8,438	8,438	270,000	100.00 %	69,892	270,000	3,780	3,780	Note
The Company	Ent Technology Co., Ltd.	Taoyuan City	Electronic product trading	6,000	6,000	400,000	40.00 %	3,074	400,000	(4,395)	(1,757)	

Note: The amount of the transaction had been offset in the consolidated financial statements.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: None

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
-	52,207 (USDI,700 thousand)	763,926

Note: Exchange rate:USD = NTD30.71.

(iii) Significant transactions:None

(d) Major shareholders: The Company did not have any shareholders directly owning shares of more than 5% in 2022.

(14) Segment information:

The Group's reportable segments were as follows:

(i) Segment 1: Undertaking, planning, designing, constructing and supervising petrochemical and chemical engineering projects.

(ii) Segment 2: Undertaking, planning, designing, constructing and supervising MRT, power plants, air-conditioning and mechatronics systems, and other public works.

(iii) Other segments: Entities such as Hong-siang, KPTC, Reliant that mainly engage in reinvestment, construction projects, development, leasing and sale of residential building, real estate trading.

The reportable segments are the Group's divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies.

(a) Information about reportable segments and their measurement and reconciliation:

	2022				
	Segment 1	Segment 2	Other segments	Reconciliation and elimination	Total
Revenues from external customers	\$ 1,655,171	706,619	96,706	-	2,458,496
Intersegment revenues	-	-	12,320	(12,320)	-
Interest revenues	-	-	2,909	-	2,909
Total revenues	<u>\$ 1,655,171</u>	<u>706,619</u>	<u>111,935</u>	<u>(12,320)</u>	<u>2,461,405</u>
Interest expense	<u>\$ -</u>	<u>-</u>	<u>2,156</u>	<u>-</u>	<u>2,156</u>
Depreciation and Amortization	<u>\$ 115</u>	<u>273</u>	<u>9,458</u>	<u>-</u>	<u>9,846</u>
Segment profit or loss	<u>\$ 123,900</u>	<u>(262)</u>	<u>46,486</u>	<u>(11,231)</u>	<u>158,893</u>
	2021				
	Segment 1	Segment 2	Other segments	Reconciliation and elimination	Total
Revenues from external customers	\$ 1,144,500	559,638	91,855	-	1,795,993
Intersegment revenues	-	-	139,745	(139,745)	-
Interest revenues	-	-	1,030	-	1,030
Total revenues	<u>\$ 1,144,500</u>	<u>559,638</u>	<u>232,630</u>	<u>(139,745)</u>	<u>1,797,023</u>
Interest expense	<u>\$ -</u>	<u>-</u>	<u>405</u>	<u>-</u>	<u>405</u>
Depreciation and Amortization	<u>\$ 1,578</u>	<u>2,362</u>	<u>5,564</u>	<u>-</u>	<u>9,504</u>
Segment profit or loss	<u>\$ 59,396</u>	<u>(855)</u>	<u>11,237</u>	<u>(4,926)</u>	<u>64,852</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The material reconciling items of the above reportable segment are as follows:

- (i) In 2022 and 2021, included in the total reportable segment revenue was elimination of intersegment revenue of \$12,320 and \$139,745, respectively.
- (ii) In 2022 and 2021, included in the total reportable segment profit or loss was elimination of intersegment unrealized profit (loss) of \$(11,231) and \$(4,926), respectively.
- (b) Product and service information

- (i) Revenue from external customers of the Group was as follows:

Product and service information	2022	2021
MRT, power plants, air-conditioning and mechatronics system, and infrastructure	\$ 706,619	559,638
Development, leasing and sale of petrochemical, chemical and residential buildings, as well as real estate trading	1,751,877	1,236,355
Total	\$ 2,458,496	1,795,993

- (ii) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenues from external customers:

Geography	2022	2021
Taiwan	\$ 2,444,790	1,782,106
America	13,706	13,887
Total	\$ 2,458,496	1,795,993

Non-current assets:

Geography	December 31, 2022	December 31, 2021
Taiwan	\$ 146,499	149,574
America	31,237	10,524
Total	\$ 177,736	160,098

Non-current assets include property, plant and equipment, investment property, right-of-use assets and intangible assets.

- (iii) Major customers

For the years ended December 31, 2022 and 2021, revenues from customers greater than 10% of net revenue were as follows:

	2022
C Company	\$ 876,774
T Company	406,848
	2021
C Company	\$ 622,811
D Company	269,415
T Company	234,294



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of King Polytechnic Engineering Co., Ltd.:

Opinion

We have audited the parent company only financial statements of King Polytechnic Engineering Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

For the accounting policies for revenue recognition, please see note 4(m) “Revenue recognition” to the parent company only financial statements. For revenue recognition assessment regarding accounting assumptions and estimation uncertainty”, please refer to note 5. For disclosure of revenue from contracts with customers, please refer to note 6(o).

Description of key audit matter:

The Company's construction contract revenues are based on the ratio of the actual cost incurred as of the reporting date to the estimated total cost. However, the Company's management estimated the total costs based on past experience, so as to assess the reasonableness of future costs needed, which might impact the percentage of completion as well as the profit or loss of the construction projects. Therefore, revenue recognition was determined to be our key audit matters.

How the matter was addressed in our audit:

Our audit procedures in this area included testing the effectiveness of internal control of the timings and accuracy of the recognition of construction contract revenues and costs; selecting major contracts as samples, and reviewing the total contracts price and estimated total cost to determine whether there is any significant change; reviewing the required input cost previously assessed by the management authority and compare it with the actual input cost of the completion of the project to assess whether the estimation method is appropriate; checking the relevant evidence and supporting documents of certain projects to confirm the current amount of input used to calculate the degree of completion of the project; and evaluating whether the company has properly disclosed the relevant information of revenue.

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 Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are 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 are responsible for overseeing the Company's financial reporting process.

Auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken 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 misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and 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, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hung Huang and Chia-Chien Tang.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2023

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
KING POLYTECHNIC ENGINEERING CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021			December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets									
Current assets:									
1100 Cash and cash equivalents (note 6(a))	\$ 213,138	6	413,343	18	2100 Short-term borrowings (notes 6(g), 7 and 8)	\$ 489,832	14	244,000	11
1136 Current financial assets at amortised cost (notes 6(a) and 8)	1,186,442	33	380,619	17	2322 Long-term borrowings, current portion (notes 6(g), 7 and 8)	75,602	2	43,104	2
1140 Current contract assets (note 6(o))	1,167,089	32	979,953	42	2110 Short-term notes and bills payable (notes 6(h) and 7)	239,501	7	149,795	6
1150 Notes receivable (notes 6(c) and 6(o))	-	-	714	-	2130 Contract liabilities-current (note 6(o))	978,040	27	198,326	9
1160 Notes receivable-related parties (notes 6(c), 6(o) and 7)	588	-	588	-	2150 Notes payable	37,921	1	42,890	2
1170 Accounts receivable (notes 6(c) and 6(o))	437,759	12	21,373	1	2170 Accounts payable	375,431	10	364,403	16
1210 Other receivables-related parties (note 7)	7,853	-	23,203	1	2180 Accounts payable-related parties (note 7)	-	-	19,260	1
1476 Other current financial assets	10,794	-	1,722	-	2200 Other payables (note 6(p))	46,949	1	37,837	2
1479 Other current assets	121,969	4	39,531	2	2230 Current tax liabilities	23,870	1	2,626	-
Total current assets	<u>3,145,632</u>	<u>87</u>	<u>1,861,046</u>	<u>81</u>	2250 Current provisions (note 6(j))	2,579	-	1,139	-
Non-current assets:					2280 Lease liabilities-current (note 6(i))	4,353	-	5,760	-
1517 Financial assets at fair value through other comprehensive income-non-current (note 6(b))	86,422	3	91,621	4	2399 Other current liabilities	41,867	1	1,622	-
1550 Investments accounted for using equity method (note 6(d))	224,569	6	198,665	9	Total current liabilities	<u>2,315,945</u>	<u>64</u>	<u>1,110,762</u>	<u>49</u>
1600 Property, plant and equipment (notes 6(e) and 8)	138,366	4	138,511	6	Non-Current liabilities:				
1755 Right-of-use assets (note 6(f))	6,523	-	9,632	-	2570 Deferred tax liabilities (note 6(l))	10,475	-	9,147	-
1984 Other non-current financial assets	7,230	-	4,912	-	2580 Lease liabilities-non current (note 6(i))	2,263	-	3,984	-
1840 Deferred tax assets (note 6(l))	4,787	-	4,761	-	2640 Net defined benefit liability-non-current (note 6(k))	13,178	1	17,036	1
1990 Other non-current assets	1,542	-	1,391	-	2645 Guarantee deposits received	-	-	1,069	-
Total non-current assets	<u>469,439</u>	<u>13</u>	<u>449,493</u>	<u>19</u>	Total non-current liabilities	<u>25,916</u>	<u>1</u>	<u>31,236</u>	<u>1</u>
					Total liabilities	<u>2,341,861</u>	<u>65</u>	<u>1,141,998</u>	<u>50</u>
					Equity (notes 6(k) and 6(m)):				
					3100 Ordinary share	722,068	20	707,910	31
					3200 Capital surplus	10,354	-	10,354	-
					Retained earnings:				
					3310 Legal reserve	122,139	4	116,413	5
					3350 Unappropriated retained earnings	370,510	10	287,153	12
						492,649	14	403,566	17
					Other equity interest:				
					3410 Exchange differences on translation of foreign financial statements	1,303	-	(5,324)	-
					3420 Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	46,836	1	52,035	2
						48,139	1	46,711	2
					Total equity	<u>1,273,210</u>	<u>35</u>	<u>1,168,541</u>	<u>50</u>
Total assets	<u>\$ 3,615,071</u>	<u>100</u>	<u>2,310,539</u>	<u>100</u>	Total liabilities and equity	<u>\$ 3,615,071</u>	<u>100</u>	<u>2,310,539</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

KING POLYTECHNIC ENGINEERING CO., LTD.**Statements of Comprehensive Income****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(o) and 7)	\$ 2,361,790	100	1,704,138	100
5000 Operating costs (notes 6(e), 6(f), 6(j), 6(k) and 7)	<u>2,165,831</u>	<u>92</u>	<u>1,585,023</u>	<u>93</u>
Gross profit from operations	195,959	8	119,115	7
Operating expenses (notes 6(c), 6(e), 6(f), 6(i), 6(k) and 6(p)):				
6200 Administrative expenses	72,366	3	60,197	4
6450 Expected credit loss	<u>-</u>	<u>-</u>	<u>2,707</u>	<u>-</u>
Total operating expenses	<u>72,366</u>	<u>3</u>	<u>62,904</u>	<u>4</u>
Net operating income	<u>123,593</u>	<u>5</u>	<u>56,211</u>	<u>3</u>
Non-operating income and expenses (notes 6(d), 6(i), 6(q) and 7):				
7010 Other income	3,278	-	3,321	-
7020 Other gains and losses	11,797	-	(4,002)	-
7050 Finance costs	(2,122)	-	(608)	-
7100 Interest income	1,973	-	934	-
7375 Share of profit of associates and subsidiaries accounted for using equity method	<u>19,277</u>	<u>1</u>	<u>7,329</u>	<u>-</u>
Total non-operating income and expenses	<u>34,203</u>	<u>1</u>	<u>6,974</u>	<u>-</u>
Profit before tax	157,796	6	63,185	3
7950 Less: Income tax expenses (note 6(l))	<u>28,785</u>	<u>1</u>	<u>7,446</u>	<u>-</u>
Profit	<u>129,011</u>	<u>5</u>	<u>55,739</u>	<u>3</u>
8300 Other comprehensive income (notes 6(k) and 6(m)):				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	2,546	-	1,517	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,199)	-	(8,288)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income that will not be reclassified to profit or loss	<u>(2,653)</u>	<u>-</u>	<u>(6,771)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	6,627	-	(1,624)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>6,627</u>	<u>-</u>	<u>(1,624)</u>	<u>-</u>
8300 Other comprehensive income	<u>3,974</u>	<u>-</u>	<u>(8,395)</u>	<u>-</u>
Total comprehensive income	<u>\$ 132,985</u>	<u>5</u>	<u>47,344</u>	<u>3</u>
Basic earnings per share (in New Taiwan Dollars) (note 6(n))	<u>\$ 1.79</u>		<u>0.77</u>	
Diluted earnings per share (in New Taiwan Dollars) (note 6(n))	<u>\$ 1.77</u>		<u>0.77</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
KING POLYTECHNIC ENGINEERING CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings			Other equity interest			Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
Balance at January 1, 2021	\$ 707,910	10,354	114,520	253,027	(3,700)	60,323	1,142,434
Profit	-	-	-	55,739	-	-	55,739
Other comprehensive income	-	-	-	1,517	(1,624)	(8,288)	(8,395)
Total comprehensive income	-	-	-	57,256	(1,624)	(8,288)	47,344
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	1,893	(1,893)	-	-	-
Cash dividends of ordinary share	-	-	-	(21,237)	-	-	(21,237)
Balance at December 31, 2021	707,910	10,354	116,413	287,153	(5,324)	52,035	1,168,541
Profit	-	-	-	129,011	-	-	129,011
Other comprehensive income	-	-	-	2,546	6,627	(5,199)	3,974
Total comprehensive income	-	-	-	131,557	6,627	(5,199)	132,985
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	5,726	(5,726)	-	-	-
Cash dividends of ordinary share	-	-	-	(28,316)	-	-	(28,316)
Stock dividends of ordinary share	14,158	-	-	(14,158)	-	-	-
Balance at December 31, 2022	\$ 722,068	10,354	122,139	370,510	1,303	46,836	1,273,210

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
KING POLYTECHNIC ENGINEERING CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 157,796	63,185
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	8,918	8,578
Amortization expense	479	282
Expected credit loss	-	2,707
Interest expense	2,122	608
Interest income	(1,973)	(934)
Dividend income	(2,487)	(2,559)
Share of profit of subsidiaries and associates accounted for using equity method	(19,277)	(7,329)
Gains on lease modifications	-	(3)
Total adjustments to reconcile profit (loss)	<u>(12,218)</u>	<u>1,350</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in contract assets	(177,159)	(189,891)
Decrease (increase) in notes receivable	714	(714)
Decrease (increase) in accounts receivable	(416,386)	54,049
Increase in other current assets	(82,438)	(33,116)
Decrease (increase) in other financial assets	(9,050)	1,037
Decrease (increase) in current financial assets at amortised cost	(805,823)	249,824
Total changes in operating assets	<u>(1,490,142)</u>	<u>81,189</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	779,714	(192,098)
Decrease in notes payable	(4,969)	(6,450)
Increase in accounts payable	11,028	255,440
Increase (decrease) in accounts payable-related parties	(19,260)	19,260
Increase in other payable	8,814	2,412
Increase (decrease) in provisions	1,440	(37)
Increase (decrease) in other current liabilities	40,245	(165)
Decrease in net defined benefit liability	(1,312)	(1,296)
Total changes in operating liabilities	<u>815,700</u>	<u>77,066</u>
Total changes in operating assets and liabilities	<u>(674,442)</u>	<u>158,255</u>
Total adjustments	<u>(686,660)</u>	<u>159,605</u>
Cash inflow (outflow) generated from operations	(528,864)	222,790
Interest received	2,101	911
Dividends received	2,487	2,559
Income taxes paid	(6,239)	(16,171)
Net cash flows from (used in) operating activities	<u>(530,515)</u>	<u>210,089</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	-	(41,000)
Acquisition of property, plant and equipment	(2,511)	(2,127)
Increase in other financial assets	(2,318)	(3,021)
Increase in other non-current assets	(630)	(1,450)
Net cash used in investing activities	<u>(5,459)</u>	<u>(47,598)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	894,890	311,392
Decrease in short-term borrowings	(616,560)	(176,303)
Decrease (increase) in other receivables-related parties	15,200	(23,000)
Increase in short-term notes and bills payable	240,000	99,795
Decrease in short-term notes and bills payable	(150,000)	-
Decrease in guarantee deposits received	(1,069)	-
Payment of lease liabilities	(6,281)	(6,071)
Cash dividends paid	(28,316)	(21,237)
Interest paid	(12,095)	(3,959)
Net cash flows from financing activities	<u>335,769</u>	<u>180,617</u>
Net increase (decrease) in cash and cash equivalents	<u>(200,205)</u>	<u>343,108</u>
Cash and cash equivalents at beginning of period	<u>413,343</u>	<u>70,235</u>
Cash and cash equivalents at end of period	<u>\$ 213,138</u>	<u>413,343</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
KING POLYTECHNIC ENGINEERING CO., LTD.

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Founded in August 1982, King Polytechnic Engineering Co., Ltd. (“the Company”) was formerly known as King Poly Machinery Industry Co., Ltd. before the name change made official in December 1997.

The Company mainly engage in the design and installation of chemical machinery and sterile dust-free equipment, networking, investment, as well as production, sale, installation and maintenance of high-tech purification equipment, civil construction, transportation and sale of sediments, trading in construction materials, development, leasing and sale of housing units and buildings, etc.

(2) Approval date and procedures of the financial statements:

The parent-company-only financial statements were authorized for issue by the Board of Directors on March 13, 2023.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the new amendments, which do not have a significant impact on its financial statements, from January 1, 2022.

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized below. The significant accounting policies have been applied consistently to all periods presented in the parent company only financial statements.

- (a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(n)

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company 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 issuing equity instruments do not affect its classification.

The Company mainly engages in construction projects and the operating cycles thereof are longer than one year; therefore, assets and liabilities related to construction business are classified as current or non-current based on normal operating cycle.

(e) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits. Cash equivalents are shortterm, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting shortterm cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(f) Financial instruments

Account receivables is initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI)– equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable and other financial assets), debt investments measured at contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(h) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. 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 in the changes in the equity of subsidiaries. In subsidiaries which are controlled by the Company is accounted for preparing the consolidated statement by each period.

Changes in a parent's ownership interest on a subsidiary that do not result in the loss of control are accounted for within equity.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and structures	5~40 years
2) Equipment	2~5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate;
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee;
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset;
- there is a change in the assessment on lease term as to whether it will be extended or terminated; and
- the modifications of the lease underlying asset, scope or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

For the office and transportation equipment, the Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(k) Impairment of non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The Company's primary revenues are from construction contracts. The details are as follows:

The Company enters into contracts to chemical machinery, high-tech purification equipment and related installation, public constructions. Because its customer controls the asset as it is constructed, the Company recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days), accumulated experience is used to estimate the amount of variable consideration, using the expected value method. For other variable considerations, the Company estimates the amount of variable consideration using the most likely amount, the Company recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Company has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Company cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration.

(q) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period. Information about judgements made in applying accounting policies do not have significant effects on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

Revenue recognition

Contract revenue are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. However, the Company's management estimated the total costs and contract items based on past experience, so as to assess the reasonableness of future costs needed, which might impact the percentage of completion as well as the profit or loss of the construction projects.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 298	298
Petty cash	2,802	2,402
Checking deposits	96,212	54,690
Demand deposits	<u>113,826</u>	<u>355,953</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 213,138</u>	<u>413,343</u>

The Company's time deposits of construction project borrowings are classified as current financial assets at amortized cost as follows:

	December 31, 2022	December 31, 2021
	<u>\$ 75,953</u>	<u>126,978</u>

(b) Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Listed companies stocks	<u>\$ 86,422</u>	<u>91,621</u>

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

The above-mentioned financial assets were not pledged as security; please refer to 6(r) for market risk information.

(c) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable — measured at amortized cost	\$ -	714
Accounts receivable — measured at amortized cost	437,759	24,080
Notes receivable — related parties	588	588
Less: allowance for impairment	<u>-</u>	<u>(2,707)</u>
	<u>\$ 438,347</u>	<u>22,675</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The loss allowance provision was determined as follows:

	December 31, 2022		
	Notes and accounts receivable carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 438,347	-	-
	December 31, 2021		
	Notes and accounts receivable carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 22,675	-	-
Overdue 31~90 days	2,707	100%	2,707
	\$ 25,382		2,707

The movements in the allowance for notes and accounts receivable were as follow:

	2022	2021
Balance on January 1	\$ 2,707	-
Impairment losses recognized	-	2,707
Amounts written off	(2,707)	-
Balance on December 31	\$ -	2,707

The aforementioned notes and accounts receivable were not pledged.

(d) Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 221,495	193,834
Associates	3,074	4,831
	\$ 224,569	198,665

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(ii) Associates

In October 2021, the Company acquired 40% or 400 thousand shares of Lnt Technology Co., Ltd. for \$6,000 in cash, resulting in the Company to have significant influence over it. Related information was as follows:

Name of associate	Operation	Main operating location / Registered Country of the Company	Proportion of shareholding and voting rights	
			December 31, 2022	December 31, 2021
Lnt Techonlogy Co., Ltd.	Wholesale and installation of electrical appliances	Taoyuan City	40 %	40 %

The Company's financial information on investments accounted for using the equity method that are individually insignificant was as follows. This financial information is included in the consolidated financial statements:

	December 31, 2022	December 31, 2021
Carrying amount of individually insignificant associates' equity	\$ <u>3,074</u>	<u>4,831</u>
	<u>2022</u>	<u>2021</u>
Attributable to the Company:		
Loss from continuing operations	\$ (1,757)	(1,169)
Other comprehensive (loss) income	-	-
Comprehensive income	\$ <u>(1,757)</u>	<u>(1,169)</u>

The investments accounted for using equity method were not pledged.

(e) Property, plant and equipment

The movements of the Company's property, plant and equipment were as follows:

	Land	Building and structures	Equipment	Total
Cost:				
Beginning balance as of January 1, 2022	\$ 111,390	37,058	22,242	170,690
Additions	-	-	2,511	2,511
Disposals	-	-	(281)	(281)
Balance as of December 31, 2022	\$ <u>111,390</u>	<u>37,058</u>	<u>24,472</u>	<u>172,920</u>
Beginning balance as of January 1, 2021	\$ 111,390	37,058	23,100	171,548
Additions	-	-	2,127	2,127
Disposals	-	-	(2,985)	(2,985)
Balance as of December 31, 2021	\$ <u>111,390</u>	<u>37,058</u>	<u>22,242</u>	<u>170,690</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

	<u>Land</u>	<u>Building and structures</u>	<u>Equipment</u>	<u>Total</u>
Accumulated depreciation:				
Beginning balance as of January 1, 2022	\$ -	14,060	18,119	32,179
Depreciation expense	-	884	1,772	2,656
Disposals	-	-	(281)	(281)
Balance as of December 31, 2022	<u>\$ -</u>	<u>14,944</u>	<u>19,610</u>	<u>34,554</u>
Beginning balance as of January 1, 2021	\$ -	12,774	19,711	32,485
Depreciation expense	-	1,286	1,393	2,679
Disposals	-	-	(2,985)	(2,985)
Balance as of December 31, 2021	<u>\$ -</u>	<u>14,060</u>	<u>18,119</u>	<u>32,179</u>
Book value:				
Balance as of December 31, 2022	<u>\$ 111,390</u>	<u>22,114</u>	<u>4,862</u>	<u>138,366</u>
Balance as of January 1, 2021	<u>\$ 111,390</u>	<u>24,284</u>	<u>3,389</u>	<u>139,063</u>
Balance as of December 31, 2021	<u>\$ 111,390</u>	<u>22,998</u>	<u>4,123</u>	<u>138,511</u>

The Company's land and building and structures were used as pledge for borrowings and lines of credit, and they are disclosed in note 8.

(f) Right-of-use assets

The movements in the Company's leases on buildings and structures and transportation equipment were as follows:

	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Beginning balance as of January 1, 2022	\$ 16,750	999	17,749
Additions	3,153	-	3,153
Balance as of December 31, 2022	<u>\$ 19,903</u>	<u>999</u>	<u>20,902</u>
Beginning balance as of January 1, 2021	\$ 16,423	999	17,422
Additions	1,804	-	1,804
Disposals	(1,477)	-	(1,477)
Balance as of December 31, 2021	<u>\$ 16,750</u>	<u>999</u>	<u>17,749</u>
Accumulated depreciation :			
Beginning balance as of January 1, 2022	\$ 7,701	416	8,117
Depreciation expense	5,929	333	6,262
Balance as of December 31, 2022	<u>\$ 13,630</u>	<u>749</u>	<u>14,379</u>
Beginning balance as of January 1, 2021	\$ 3,215	83	3,298
Depreciation expense	5,566	333	5,899
Disposals	(1,080)	-	(1,080)
Balance as of December 31, 2021	<u>\$ 7,701</u>	<u>416</u>	<u>8,117</u>
Book value:			
Balance as of December 31, 2022	<u>\$ 6,273</u>	<u>250</u>	<u>6,523</u>
Balance as of January 1, 2021	<u>\$ 13,208</u>	<u>916</u>	<u>14,124</u>
Balance as of December 31, 2021	<u>\$ 9,049</u>	<u>583</u>	<u>9,632</u>

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KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(g) Long-term and short-term borrowings

	December 31, 2022			
	Currency	Interest rate	Maturity date	Amount
Unsecured bank loans	NTD	2.00%~2.53%	2023	\$ 399,832
Secured bank loans	NTD	2.30%	2023	<u>90,000</u>
Subtotal				489,832
Unsecured long-term bank loans (current)	NTD	2.25%~2.47%	2024~2027	<u>75,602</u>
Total				<u>\$ 565,434</u>
Unused credit line				<u>\$ 2,226,551</u>

	December 31, 2021			
	Currency	Interest rate	Maturity date	Amount
Unsecured bank loans	NTD	1.50%~1.87%	2022	\$ 189,000
Secured bank loans	NTD	1.67%	2022	<u>55,000</u>
Subtotal				244,000
Unsecured long-term bank loans (current)	NTD	1.75%~1.80%	2024~2027	<u>43,104</u>
Total				<u>\$ 287,104</u>
Unused credit line				<u>\$ 2,488,640</u>

For the collateral for borrowings, please refer to note 8.

In addition, for the loan that was jointly guaranteed by other related parties, please refer to note 7.

(h) Short-term notes payable

	December 31, 2022		
	Guarantee or acceptance institution	Interest rate	Amount
Commercial paper payable	Mega Bills Finance Co., Ltd.	2.400%	\$ 60,000
Commercial paper payable	China Bills Finance Co., Ltd.	2.300%	50,000
Commercial paper payable	International Bills Finance Co., Ltd.	2.458%	50,000
Commercial paper payable	Dah chung Bills Finance Co., Ltd.	2.262%	50,000
Commercial paper payable	Taiwan Bills Finance Co., Ltd.	2.300%	30,000
Less: discount			<u>(499)</u>
Total			<u>\$ 239,501</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

December 31, 2021			
	Guarantee or acceptance institution	Interest rate	Amount
Commercial paper payable	Mega Bills Finance Co., Ltd.	1.212%	\$ 50,000
Commercial paper payable	China Bills Finance Co., Ltd.	0.300%	50,000
Commercial paper payable	International Bills Finance Co., Ltd.	0.612%	50,000
Less: discount			(205)
Total			\$ 149,795

The above-mentioned short-term notes and bills are unsecured commercial papers with a maturity period of less than 365 days issued by financial institutions.

In addition, for the loan that was jointly guaranteed by other related parties, please refer to note 7.

(i) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	\$ 4,353	5,760
Non-current	\$ 2,263	3,984

For the maturity analysis, please refer to note 6(r).

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ 172	243
Cost and expenses relating to short-term leases	\$ 57	26

The amounts recognized in the statement of cash flows by the Company were as follows:

	2022	2021
Total cash outflow for leases	\$ 6,510	6,340

(i) Buildings and structures leases

The Company leases buildings and structures as its offices and staff dormitories. Office leases normally run for a period of 3 years, while staff dormitories leases run for 2 to 5 years.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(ii) Other leases

The Company leases transportation equipment, with lease terms of 3 years.

Additionally, the Company leases offices and transportation equipment, some of which are short-term. The Company has elected to apply exemption and not to recognize related right-of-use assets and lease liabilities.

(j) Provisions

	December 31, 2022	December 31, 2021
The movements of warranty provisions:		
Beginning balance at January 1	\$ 1,139	1,176
Provisions added	1,582	100
Provisions used	<u>(142)</u>	<u>(137)</u>
Balance at December 31	<u>\$ 2,579</u>	<u>1,139</u>

Warranty provisions are related to construction works and will be incurred after one to five years after acceptance of the works according to the contracts. Warranty provisions are estimated based on historical warranty data for similar works.

(k) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 43,965	43,961
Fair value of plan assets	<u>(30,787)</u>	<u>(26,925)</u>
Net defined benefit liabilities	<u>\$ 13,178</u>	<u>17,036</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$30,787 as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Company were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations on January 1	\$ 43,961	49,391
Current service costs and interest	275	299
Net remeasurements of defined benefit liability	(271)	(1,042)
Benefit paid by the plan	-	(4,687)
Defined benefit obligations on December 31	<u>\$ 43,965</u>	<u>43,961</u>

3) Movements of defined benefit plan assets

The movement in the present value of the defined benefit plan assets for the Company were as follow:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets on January 1	\$ 26,925	29,542
Interest income	116	104
Net remeasurements of defined benefit assets	2,275	475
Amounts contributed to plan	1,471	1,491
Benefit paid by the plan	-	(4,687)
Fair value of plan assets on December 31	<u>\$ 30,787</u>	<u>26,925</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 98	96
Net interest on the net defined benefit liabilities	61	99
	<u>\$ 159</u>	<u>195</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

- 5) The remeasurement of the net defined benefit liabilities recognized in other comprehensive income

The remeasurements of net defined benefit liability recognized in other comprehensive income were as follows:

	<u>2022</u>	<u>2021</u>
Cumulative amount on January 1	\$ (5,628)	(4,111)
Recognized for the period	<u>(2,546)</u>	<u>(1,517)</u>
Cumulated amount on December 31	<u><u>\$ (8,174)</u></u>	<u><u>(5,628)</u></u>

- 6) Actuarial assumptions

The rate applied in calculating the present value of defined benefit obligations at the reporting date was as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	1.500 %	0.500 %
Future salary growth rate	1.500 %	1.500 %

The contributions to be made to the defined benefit plans within 1 year after December 31, 2022 amounted to \$203.

The weighted average of the defined benefit plans is 8.7 years.

- 7) Sensitivity analysis

The changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligations:

	<u>Effects on to the defined benefit obligations</u>	
	<u>Increase</u>	<u>Decrease</u>
December 31, 2022		
0.25% decrease (increase) in discount rate	\$ 318	(310)
0.25% increase (decrease) in future salary growth rate	302	(297)
December 31, 2021		
0.25% decrease (increase) in discount rate	399	(383)
0.25% increase (decrease) in future salary growth rate	375	(366)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

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KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company allocates \$9,544 and \$8,928 as pension costs under the defined contribution plans in 2022 and 2021, respectively.

(l) Income taxes

(i) Income tax expense

The components of income tax were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 27,483	6,652
Deferred tax expense		
Origination and reversal of temporary difference	<u>1,302</u>	<u>794</u>
Income tax expense	<u>\$ 28,785</u>	<u>7,446</u>

For 2022 and 2021, there were no income taxes directly recognized in equity and other comprehensive income.

Reconciliation of income tax and profit before tax for 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$ 157,796</u>	<u>63,185</u>
Income tax using the Company's domestic tax rate	\$ 31,559	12,637
Long-term equity investment	(2,902)	(5,466)
Exempt income	(497)	(512)
Others	172	787
Undistributed earnings additional tax	<u>453</u>	<u>-</u>
Total	<u>\$ 28,785</u>	<u>7,446</u>

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KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>61,454</u>	<u>51,047</u>

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

	<u>Defined benefit plans</u>	<u>Warranty expenses</u>	<u>Total</u>
Beginning balance as of January 1, 2022	\$ 4,533	228	4,761
Recognized in profit or loss	<u>(262)</u>	<u>288</u>	<u>26</u>
Balance as of December 31, 2022	<u>\$ 4,271</u>	<u>516</u>	<u>4,787</u>
Beginning balance as of January 1, 2021	\$ 4,792	235	5,027
Recognized in profit or loss	<u>(259)</u>	<u>(7)</u>	<u>(266)</u>
Balance as of December 31, 2021	<u>\$ 4,533</u>	<u>228</u>	<u>4,761</u>

Deferred tax liabilities:

	<u>Profit (loss) of foreign investments evaluated and recognized using equity method</u>	<u>Others</u>	<u>Total</u>
Beginning balance as of January 1, 2022	\$ 8,237	910	9,147
Recognized in profit or loss	<u>954</u>	<u>374</u>	<u>1,328</u>
Balance as of December 31, 2022	<u>\$ 9,191</u>	<u>1,284</u>	<u>10,475</u>
Beginning balance as of January 1, 2021	\$ 8,520	99	8,619
Recognized in profit or loss	<u>(283)</u>	<u>811</u>	<u>528</u>
Balance as of December 31, 2021	<u>\$ 8,237</u>	<u>910</u>	<u>9,147</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(iii) The Company's tax returns for all years through 2020 were assessed by the tax authorities.

(m) Capital and other equity

As of December 31, 2022 and 2021, the Company's authorized common share consisted of 100,000 thousand shares with a par value of NT\$10 per share, amounting to \$1,000,000; of which 72,207 thousand shares and 70,791 thousand shares, respectively.

Reconciliations of shares outstanding were as follows:

	(In thousands of shares)	
	Ordinary shares	
	<u>2022</u>	<u>2021</u>
Beginning balance at January 1	\$ 70,791	70,791
Capital increase out of earnings	<u>1,416</u>	<u>-</u>
Balance at December 31	<u><u>\$ 72,207</u></u>	<u><u>70,791</u></u>

(i) Ordinary shares

The Company carried out a capital increase out of the shareholders' dividends amounting to \$14,158, wherein a total of 1,416 thousand new shares were issued, based on the resolution decided during the shareholders' meeting held on June 24, 2022, with the approval of the Financial Supervisory Commission. Furthermore, the Board of Directors resolved to set the base date on November 28, 2022. All relevant statutory registration procedures have been completed as of the reporting date.

(ii) Capital surplus

The components were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital from bond	<u><u>\$ 10,354</u></u>	<u><u>10,354</u></u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that Company's annual earnings shall first be used to pay taxes and offset losses accumulated during prior years. Of the remaining balance, 10% is to be appropriated as legal reserve, unless the amount of legal reserve has already reached that of the total paid-in capital. In addition, special reserve shall be appropriated according to related laws and regulations. The remaining portion, together with any unappropriated earnings, shall be appropriated according to the Board of Directors' proposal and submitted to a shareholders' meeting for approval.

The Company engages in construction services, which is capital and technology intensive. In terms of life cycle, it is in the phase of stable growth. Taking into account both the management principle of sound financial structure and the life cycle of each business, it is necessary to retain earnings to meet business growth and investment needs. At this stage, the Company is adopting a residual dividend policy, according to which the percentages of share dividends (including dividends out of earnings and reserves) and cash dividends are appropriated based on the Company's capital needs; however, cash dividends shall not be less than 20%. When the board resolves that dividends will be paid, such cash dividends can be paid in full or in part, if the closing market price of the Company's ordinary shares is less than the par value on the day before the board meeting.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the shareholders' meeting on June 24, 2022 and August 26, 2021, respectively. The relevant dividend distributions to shareholder were as follow:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share (dollar)</u>	<u>Total amount</u>	<u>Amount per share (dollar)</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.4	\$ 28,316	0.3	21,237
Shares	0.2	<u>14,158</u>	-	<u>-</u>
Total		<u>\$ 42,474</u>		<u>21,237</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
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On March 13, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	2022	
	Amount per share (dollar)	Total amount
Dividends distributed to ordinary shareholders :		
Cash	\$ 0.9	\$ 64,986
Shares	0.3	<u>21,662</u>
Total		<u><u>\$ 86,648</u></u>

(iv) Other comprehensive income accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (5,324)	52,035	46,711
Exchange differences on foreign operations	6,627	-	6,627
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(5,199)	(5,199)
Balance at December 31, 2022	<u><u>\$ 1,303</u></u>	<u><u>46,836</u></u>	<u><u>48,139</u></u>
Balance at January 1, 2021	\$ (3,700)	60,323	56,623
Exchange differences on foreign operations	(1,624)	-	(1,624)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(8,288)	(8,288)
Balance at December 31, 2021	<u><u>\$ (5,324)</u></u>	<u><u>52,035</u></u>	<u><u>46,711</u></u>

(n) Earnings per share

The calculation of basic and diluted earnings per share (unit: New Taiwan dollar) is as follows:

(i) Basic earnings per share:

	2022	2021
Profit attributable to common shareholders of the Company	<u><u>\$ 129,011</u></u>	<u><u>55,739</u></u>
Weighted-average common stock outstanding (in thousands)	<u><u>72,207</u></u>	<u><u>72,207</u></u>
Basic earnings per share (dollars)	<u><u>\$ 1.79</u></u>	<u><u>0.77</u></u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
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(ii) Diluted earnings per share:

	<u>2022</u>	<u>2021</u>
Profit attributable to common shareholders of the Company	\$ <u>129,011</u>	<u>55,739</u>
Weighted-average common stock outstanding (in thousand shares)	72,207	72,207
Ordinary shares-employees's compensation (in thousand shares)	<u>820</u>	<u>499</u>
Weighted-average common stock outstanding (diluted) (in thousand shares)	<u>73,027</u>	<u>72,706</u>
Diluted earnings per share (dollars)	\$ <u>1.77</u>	<u>0.77</u>

(o) Revenue from contracts with customers

(i) Details of revenue were as follows:

	<u>2022</u>	<u>2021</u>
Timing of revenue recognition:		
Projects transferred over time	\$ <u>2,361,790</u>	<u>1,704,138</u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Accounts and notes receivable (including related parties)	\$ 438,347	25,382	78,717
Less: loss allowance	<u>-</u>	<u>(2,707)</u>	<u>-</u>
Total	\$ <u>438,347</u>	<u>22,675</u>	<u>78,717</u>
Contract assets – construction	\$ 1,156,695	935,763	739,328
Other contract assets – retention in construction	<u>10,394</u>	<u>44,190</u>	<u>47,044</u>
Total	\$ <u>1,167,089</u>	<u>979,953</u>	<u>786,372</u>
Contract liabilities – construction	\$ <u>978,040</u>	<u>198,326</u>	<u>390,424</u>

For notes and accounts receivable as well as the impairment, please refer to note 6(c).

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There was no significant changes during the period.

For 2022 and 2021, capitalization of the Company's contract assets are calculated using a rate of 2.00%~2.53% and 0.30%~1.87%, respectively. For the amount of capitalized interest, please refer to note 6(q).

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KING POLYTECHNIC ENGINEERING CO., LTD.
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(p) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's Articles of Incorporation, if there is profit for the year, the company shall appropriate 8% as employee remuneration. The board of directors shall decide to distribute the remuneration in the form of shares or cash, and the recipients may include the employees of the Company's affiliated companies that meet certain conditions. The board of directors shall decide to accrue up to 2% of the above-mentioned profit as director remuneration. The distribution of remunerations of employees, directors, and supervisors should be reported to the shareholders' meeting.

For 2022 and 2021, employee remunerations were estimated at \$14,026 and \$5,616, and director and supervisor remunerations were estimated at \$3,507 and \$1,404, respectively. The estimated amounts mentioned above were calculated based on the Company's net profit before tax (before deducting the remuneration for employees, directors and supervisors for each period), multiplied by the percentages of remunerations of employees, directors and supervisors as specified in the Company's Articles of Incorporation. These remunerations were expensed under operating expenses for 2022 and 2021. The amounts, as stated in the parent-company-only financial statements, are identical to those of the actual distributions for 2022 and 2021. The information is available on the Market Observation Post System website.

(q) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2022</u>	<u>2021</u>
Interest income		
Bank deposits	\$ 1,578	506
Loans to other parties	211	203
Others	<u>184</u>	<u>225</u>
	<u>\$ 1,973</u>	<u>934</u>

(ii) Other income

The details of other income were as follows:

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 2,487	2,559
Rent income	<u>791</u>	<u>762</u>
	<u>\$ 3,278</u>	<u>3,321</u>

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Foreign exchange gain or loss	\$ 10,967	(5,043)
Profit from lease modification	-	3
Others	<u>830</u>	<u>1,038</u>
	<u>\$ 11,797</u>	<u>(4,002)</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2022</u>	<u>2021</u>
Interest expense–bank borrowings	\$ 12,099	4,298
Less: capitalization of interest	<u>(9,977)</u>	<u>(3,690)</u>
	<u>\$ 2,122</u>	<u>608</u>

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum exposure to credit risk mainly from the carrying amount of financial assets and contract assets.

2) Circumstances of concentration of credit risk

If the Company's financial instrument transactions concentrate within few counterparties, or if financial instrument transactions do not concentrate within few counterparties but most of the counterparties engage in similar business activities and have similar economic characteristics, which affects their ability to meet contractual obligations under economic or other circumstances, then the credit risk is concentrated. The Company's notes and accounts receivable were concentrated within few counterparties as follows:

	<u>December 31, 2022</u>	
	<u>Amount</u>	<u>Percentage of accounts receivable</u>
Company D	\$ 79,123	18.05
Company S	59,816	13.65
Company C	288,674	65.86

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
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	December 31, 2021	
	Amount	Percentage of accounts receivable
Company H	\$ 10,057	39.62
Company A	3,150	12.41
Company T	5,328	20.99

3) Credit risk of receivables

For credit risk exposure of notes and accounts receivable, please refer to note 6(c).

Additionally, as of December 31, 2022 and 2021, there were no overdue financial assets at amortized cost for which impairment was not recognized; no impairment was recognized during 2022 and 2021.

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 489,832	494,921	494,921	-	-	-
Short-term notes and bills payable	239,501	240,000	240,000	-	-	-
Notes and accounts payable	413,352	413,352	413,352	-	-	-
Lease liabilities (including current and non-current)	6,616	6,759	4,433	1,064	1,262	-
Long-term borrowings maturing within the period of operating cycle	75,602	80,709	1,755	46,568	32,386	-
Other payables	46,949	46,949	46,949	-	-	-
	\$ 1,271,852	1,282,690	1,201,410	47,632	33,648	-
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 244,000	245,539	245,539	-	-	-
Short-term notes and bills payable	149,795	150,000	150,000	-	-	-
Notes and accounts payable	426,553	426,553	426,553	-	-	-
Lease liabilities (including current and non-current)	9,744	9,928	5,901	3,609	418	-
Long-term borrowings maturing within the period of operating cycle	43,104	46,624	763	763	17,911	27,187
Other payables	37,837	37,837	37,837	-	-	-
Guarantee deposits	1,069	1,069	1,069	-	-	-
	\$ 912,102	917,550	867,662	4,372	18,329	27,187

The Company is not expecting that the cash flows including the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
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(iii) Currency risk

1) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial assets</u>						
Monetary item						
USD	\$ 2,646	30.71	81,257	6,604	27.68	182,807

2) Sensitivity analysis

The Company's exposure to foreign currency risks arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents. A (strengthening) weakening of 1% of the NTD against USD as of December 31, 2022 and 2021, would have changed the profit (loss) before tax by \$813 and \$1,828, respectively. The analysis is performed on the same basis for 2022 and 2021.

3) Foreign exchange gain and loss on monetary item

The Company's exchange gain or loss, including realized and unrealized portions, of monetary items convert to amount of functional currency, information about exchange rate os as below:

	2022		2021	
	Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
NTD	\$ 10,967	-	(5,043)	-

(iv) Interest rate analysis

Please refer to the notes on liquidity risk and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. For liabilities at variable interest rates, the analysis is based on the assumption that the outstanding amount of assets on the reporting date was outstanding throughout the year.

If the interest rate increases (decreases) by 1% with all over variable factors that remain constant, the profit (loss) before tax of the Company would have changed \$8,049 and \$4,369 for the years ended December 31, 2022 and 2021, respectively, due to the Company's floating-interest borrowings.

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KING POLYTECHNIC ENGINEERING CO., LTD.
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(v) Other market price risk

If the price of the securities changes, and it is on the same basis for both years and assumes that all other variables remain the same, the impact on comprehensive income will be as follows:

<u>Price of the securities at the reporting date</u>	<u>2022</u>		<u>2021</u>	
	<u>Other comprehensive income, net of tax</u>	<u>Profits (losses)</u>	<u>Other comprehensive income, net of tax</u>	<u>Profits (losses)</u>
Increase 1%	\$ <u>864</u>	<u>-</u>	<u>916</u>	<u>-</u>
Decrease 1%	\$ <u>(864)</u>	<u>-</u>	<u>(916)</u>	<u>-</u>

(vi) Fair value

1) Categories and fair values of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market data and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

	<u>December 31, 2022</u>				
	<u>Carrying amounts</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income					
Listed companies' stock	\$ <u>86,422</u>	<u>86,422</u>	<u>-</u>	<u>-</u>	<u>86,422</u>
	<u>December 31, 2021</u>				
	<u>Carrying amounts</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income					
Listed companies' stock	\$ <u>91,621</u>	<u>91,621</u>	<u>-</u>	<u>-</u>	<u>91,621</u>

2) Valuation techniques and assumptions used in fair value determination

The listed companies' stock was traded in the active market and its fair value was based on the quoted market price accordingly.

3) There were no level transfers during 2022 and 2021.

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KING POLYTECHNIC ENGINEERING CO., LTD.
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(s) Management of financial risk

(i) Overview

The Company have exposures to the following risks form its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Company's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The chairman is responsible for developing and monitoring the Company's risk management policies and reports regularly to the Board of Directors on his activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Auditor. Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and bank saving.

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KING POLYTECHNIC ENGINEERING CO., LTD.
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(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Additionally, please see note 6(g) for the Company's unused credit lines for borrowings and performance guarantees as of December 31, 2022 and 2021.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company has not engaged in derivative instrument transactions, and has not incurred financial liabilities as a result.

(t) Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain the confidence of investor, creditor and market, and to sustain future business development.

The debt-to-equity ratios on the reporting dates were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 2,341,861	1,141,998
Less: cash and cash equivalents	<u>213,138</u>	<u>413,343</u>
Net liabilities	<u>\$ 2,128,723</u>	<u>728,655</u>
Total equity	<u>\$ 1,273,210</u>	<u>1,168,541</u>
Debt-to-equity ratio	<u>167.19 %</u>	<u>62.36 %</u>

The increase in the debt-to-capital ratio on December 31, 2022 was mainly due to the increase in contract liabilities.

(u) Investing and financing activities not affecting current cash flow

Reconciliation was as follows:

	January 1, 2022	Cash flows	Non-cash change	December 31, 2022
Lease liabilities	<u>\$ 9,744</u>	<u>(6,281)</u>	<u>3,153</u>	<u>6,616</u>

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KING POLYTECHNIC ENGINEERING CO., LTD.
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	January 1, 2021	Cash flows	Non-cash changese	December 31, 2021
Lease liabilities	\$ 14,168	(6,071)	1,647	9,744

(7) Related-party transactions

(a)

Name of related party	Relationship with the Company
KPEC International Investment & Development Corp.	The Company's subsidiary
Hong-siang Ltd. ("Hong-siang")	The Company's subsidiary
Reliant Real Estate Development Co., Ltd.	The Company's subsidiary
King Polytechnic (Texas) Corporation	The Company's subsidiary
Taiwan Benefit Company	Same director as the Company
Lnt Technology Co. Ltd.	Same director as the Company
Mr. Hong Jian Feng	The Company's chairman
Mr. Hong Zhen Pan	The Company's director

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of the Company's revenues from related parties were as follows:

	2022	2021
Other related parties	\$ 560	1,120

Regarding the Company's income from related parties, the transaction prices were not significantly different from other customers.

(ii) Operating cost

The amounts of the costs of the Company's construction contracts with related parties were as follows:

	2022	2021
Subsidiary–Hong-siang	\$ 8,338	128,620
Other related parties	360	-
	\$ 8,698	128,620

Except for the offset amounts arising from other business transactions, the price and payment term of a related-party transaction are not significantly different from those of manufacturers; additionally, the payment is made in accordance with contractual terms.

(Continued)

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Receivables from related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	Other related parties	\$ <u>588</u>	<u>588</u>

(iii) Payables to related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable	Subsidiary	\$ <u>-</u>	<u>19,260</u>

(iv) Loans to related parties

The loans to related parties were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary–Hong-siang	\$ <u>7,800</u>	<u>23,000</u>

The interest rates of the loans to related parties were determined based on the average interest rate of the short-term borrowings from financial institutions during the same year. For 2022 and 2021, the interest income amounted to \$211 and \$203. As of December 31, 2022 and 2021, the balance of interest receivables amounted to \$53 and \$203, respectively. All of the loans were unsecured, and the Company assessed that it was unnecessary to recognize impairment losses.

(v) Dividends received

For the year ended December 31, 2022, the Company's dividends received from other related parties amounted to \$1,118.

(vi) Guarantees

The Company provides endorsements guarantees for related parties were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary–Hong-siang	\$ <u>381,492</u>	<u>219,160</u>

The Company's loans and short-term notes payable were jointly guaranteed by Mr. Hong Jian Feng and Mr. Hong Zhen Pan, please refer to note 6(g) and note 6(h).

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KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(c) Key management personnel compensation

	2022	2021
Short-term employee benefits	\$ 19,606	18,176

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Current financial assets at amortized cost			
Savings account	Reserve Account	\$ 1,058,134	182,519
Time deposit account	Performance bond	52,355	71,122
		1,110,489	253,641
Land	Short-term borrowings	111,390	111,390
Buildings	Short-term borrowings	22,114	22,998
		\$ 1,243,993	388,029

(9) Commitments and contingencies:

(i) The Company's contractual commitments during the contract periods of various undertaken projects were as follows:

	December 31, 2022	December 31, 2021
Performance obligations guaranteed by bank	\$ 2,106,063	1,032,539
Promissory notes issued	\$ 1,024,077	262,885

(ii) As of December 31, 2022, the contract sums of Company's construction projects put out to contracts totaled \$11,550,895, and the outstanding balance amounted to \$5,282,640.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
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(12) Other:

- (a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		152,610	42,638	195,248	138,092	37,977	176,069
Labor and health insurance		17,061	2,565	19,626	16,017	2,797	18,814
Pension		8,280	1,423	9,703	7,560	1,563	9,123
Remuneration of directors		-	8,392	8,392	-	3,088	3,088
Others		6,779	1,129	7,908	5,345	1,253	6,598
Depreciation		5,550	3,368	8,918	5,073	3,505	8,578
Depletion		-	-	-	-	-	-
Amortization		189	290	479	65	217	282

- (b) The information about number of employees and employee benefit expenses for the years ended December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Number of employees	<u>230</u>	<u>216</u>
Number of non-employee directors	<u>11</u>	<u>7</u>
Average salary benefits	<u>\$ 1,062</u>	<u>1,008</u>
Average salary expense	<u>\$ 892</u>	<u>842</u>
Average adjustment to salary	<u>5.94 %</u>	<u>13.17 %</u>
Supervisor remuneration	<u>\$ 18</u>	<u>45</u>

The Company's remuneration policies (for directors, supervisors, executives, and employees) are as follows:

The remunerations to the Company's directors, supervisors, general manager and deputy general managers are paid by the Company. Except for the allowances received by the independent directors and Remuneration Committee members, the remunerations to directors and supervisors mostly comprised of the transportation allowance for attending a meeting and distributed earnings. The Company's Articles of Incorporation stipulate that when there are earnings for the year, the earnings shall first be used to appropriate for the necessary reserves in accordance with related regulations. Of the remaining balance, 2% shall be appropriated as remunerations to directors and supervisors and 8% as employee remuneration. The remunerations to the general manager and deputy general manager, including salaries, year-end bonuses and project incentives, are determined based on the industry averages in respect of similar positions and duties, and are submitted to, and finalized by, both the Remuneration Committee and the Board of Directors.

Employee remuneration, which comprises the salary, bonus and profit-sharing payment, is determined by the Board of Directors based on industry levels in respect of similar positions, scope of responsibilities, and contribution to the Company's operational objectives. The procedures for determining the remunerations are stipulated in accordance with the Articles of Incorporation, with the approval of the authority. To balance sustainable operation with risk control, remunerations are paid by taking into account the Company's future operational risks and operational performance.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(13) Other disclosures:**(a) Information on significant transactions:**

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower note 1	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Hong-siang Co., Ltd.	Other receivable-related parties	Yes	50,000	50,000	7,800	2.3%	2	-	Operating capital	-		-	127,321	509,284

Note 1: Nature of loans to other parties and the numbering method:

1. For a transaction counterparty, please filled in 1.
2. For an entity with short-term financing needs, please fill in 2.

Note 2: The total amount of the Company's loans to other parties shall not exceed 40% of the Company's net worth.

The total amount of loans to any single transaction counterparty shall not exceed the total transaction amount.

The total amount of short-term loans to a single related party is limited to 10% of the Company's net worth.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company Note 1										
0	The Company	Hong-siang Co., Ltd.	2	1,273,210	381,492	381,492	381,492	-	29.96 %	1,273,210	Y	N	N

Note 1: There are 7 relationships between the provider and counterparty of endorsement/ guarantee:

1. A transaction counterparty.
2. An entity in which the Company owned more than 50% voting rights, directly or indirectly.
3. The entity owned more than 50% voting rights in the Company, directly or indirectly.
4. The Company owned at least 90% of voting rights in the entity, directly or indirectly.
5. An industry peer or joint builder mutually guaranteed according to a construction contract.
6. An entity endorsed and/or guaranteed by all shareholders in proportion to shareholding percentages for joint investment.
7. An industry peer and joint provider of performance guarantee for a presale house contract pursuant to the Consumer Protection Act.

Note 2: As stipulated in the “Regulations Governing Endorsements and Guarantees”, the aggregate amount of guaranties and endorsements provided by the Company shall not exceed 100% of its net worth, and the guarantees and endorsements provided for a single entity shall not exceed 50% of its net worth, excluding equity-accounted subsidiaries.

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
Notes to the Parent-Company-Only Financial Statements

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership	Fair value	
The Company	Taiwan Benefit Company's stock	The chairman of these two companies aer same person.	Financial assets at fair value through other comprehensive profit and loss	4,472,182	52,325	11.75 %	52,325	
The Company	Lead Data Inc.'s stock	-	Financial assets at fair value through other comprehensive profit and loss	63,087	177	0.04 %	177	
The Company	Biotegue Co.'s stock	-	Financial assets at fair value through other comprehensive profit and loss	304,219	33,920	0.44 %	33,920	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:None

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None

(ix) Trading in derivative instruments:None

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	KPEC International Investment & Development Corp.	The British Virgin Islands	Investment in Mainland China	-	-	1	100.00 %	45,957	4,769	4,769	
The Company	Hong-siang Co., Ltd.	Taipei City	Civil construction and related businesses like transportation and sale of sediments, and trading of building materials	68,000	68,000	6,800,000	100.00 %	77,634	13,760	13,760	
The Company	Reliant Real Estate Development Co., Ltd.	Taipei City	Residential building development, leasing and sale, as well as real estate trading	52,500	52,500	5,250,000	100.00 %	28,012	(1,275)	(1,275)	
The Company	King Polytechnic (Texas) Corporation	United States	Construction of petrochemical and chemical plants	8,438	8,438	270,000	100.00 %	69,892	3,780	3,780	
The Company	Lnt Technology Co., Ltd.	Taoyuan City	Electronic product trading	6,000	6,000	400,000	40.00 %	3,074	(4,393)	(1,757)	

(Continued)

KING POLYTECHNIC ENGINEERING CO., LTD.
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(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: None

(In Thousands of New Taiwan Dollars)

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
-	52,207 (USD1,700 thousand)	763,926

Note: Exchange rate: USD = NTD 30.71.

(iii) Significant transactions: None

(d) Major shareholders: The Company did not have any shareholders directly owning shares of more than 5% in 2022.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(Continued)

Thank you for attending the AGM!

We welcome your comments and suggestions at any time!

**KING POLYTECHNIC ENGINEERING
CO., LTD.**

Chairman: Chien-Fong Hong