

**HWANG CHANG  
GENERAL CONTRACTOR  
CO., LTD.**

**Parent-Company-Only**

**Financial Statements for the Years  
Ended December 31, 2022 and 2021  
and Independent Auditors' Report**

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## **Independent Auditors' Report**

To the Board of Directors of Hwang Chang General Contractor Co., Ltd.:

### **Opinion**

We have audited the accompanying financial statements of Hwang Chang General Contractor Corporation (hereinafter referred to as “the Corporation”), 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 ended December 31, 2022 and 2021, and the 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 Corporation 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 and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 the 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 Corporation in accordance with the Certified Public Accountant Code of Professional Ethics in the Republic of China (the “Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Corporation's financial statements for the year ended December 31, 2022 are stated as follows:

### **Revenue Recognition**

The Corporation recognized construction revenue of 7,829,974 thousand in 2022. Revenue recognition is generally subject to significant risks, and the construction revenue is calculated in accordance with the percentage of completion method, by which the degree of completion is evaluated based on the proportion of the incurred contract cost to the estimated total contract cost, involving significant accounting estimates and judgments of the Management; therefore, revenue recognition is listed as one of the key audit matters. For relevant information on revenue recognition and loss assessment , please refer to Note 4 and 6.

The audit procedures performed with respect to the above-mentioned key audit matter include (but are not limited to) the following:

1. We obtained an understanding of the internal controls related to revenue recognition of the Management, and evaluated whether the application of revenue recognition is consistent with the corresponding accounting policies.
2. We reviewed the significant terms and conditions in the contracts, inspected the total amount of the contracts and examined whether the amount reached the standard of recognition.
3. We performed cutoff tests with respect to the incurred costs to check whether the revenues were recognized in the correct accounting period.

## **Responsibilities of the Management and Those charged with Governance for the Financial Statements**

The Management is responsible for the preparation and the fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for sustaining essential internal control to ensure that the financial statements are free from material misstatements, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than such risk 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 to express an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
4. Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there exists a material uncertainty related to events or conditions that may cast significant doubt on the Corporation'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 auditors' report. However, future events or conditions may cause the Corporation 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 a fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information on the investment in other entities accounted for using the equity method to express an opinion on the 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 communicate with Those charged with Governance all relationships and other matters, including related protective measures, that may reasonably be thought to affect our independence.

From the matters communicated with Those charged with Governance, we determine the key matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022. 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.

Benison Associated C.P.A.S' Firm

LIN, YU-YA

LI, HAN

Taipei, Taiwan (Republic of China)

Date: March 15, 2023

#### Notice to Readers

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

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

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Balance Sheets**

**December 31, 2022 and 2021**

**Unit: NT\$ Thousands**

| ASSETS                                                        |  |  |  | December 31, 2022 |            | December 31, 2021 |  | LIABILITIES AND EQUITY                      |           |     |                                                        | December 31, 2022 |  | December 31, 2021 |    |            |           |    |           |           |     |
|---------------------------------------------------------------|--|--|--|-------------------|------------|-------------------|--|---------------------------------------------|-----------|-----|--------------------------------------------------------|-------------------|--|-------------------|----|------------|-----------|----|-----------|-----------|-----|
| ITEMS                                                         |  |  |  | Amount            |            | %                 |  | ITEMS                                       |           |     |                                                        | Amount            |  | %                 |    | Amount     |           | %  |           |           |     |
| CURRENT ASSETS                                                |  |  |  |                   |            |                   |  | CURRENT LIABILITIES                         |           |     |                                                        |                   |  |                   |    |            |           |    |           |           |     |
| Cash and cash equivalents (Note 6(1))                         |  |  |  | \$                | 423,842    | 3                 |  | \$                                          | 262,993   | 3   | Short-term loans (Notes 6(10))                         |                   |  |                   | \$ | 1,805,543  | 15        | \$ | 1,310,337 | 16        |     |
| Financial assets at amortized cost - current (Note 6(2))      |  |  |  |                   | 740,797    | 6                 |  |                                             | 488,125   | 6   | Contract liabilities (Notes 6(4))(Note 6(15))          |                   |  |                   |    | 4,045,156  | 33        |    | 401,051   | 5         |     |
| Contract assets - current (Note 6(4))(Note 6(15))             |  |  |  |                   | 2,625,126  | 22                |  |                                             | 2,725,267 | 34  | Notes payable                                          |                   |  |                   |    | 200,618    | 2         |    | 361,761   | 4         |     |
| Accounts receivable - net amount (Note 6(3))                  |  |  |  |                   | 1,187,225  | 10                |  |                                             | 1,328,097 | 16  | Notes payable - related parties (Note 7)               |                   |  |                   |    | 99,651     | 1         |    | 166,681   | 2         |     |
| Other receivables (Note 6(3))                                 |  |  |  |                   | 21,282     | 0                 |  |                                             | 17,014    | 0   | Accounts payable                                       |                   |  |                   |    | 2,043,335  | 17        |    | 2,400,872 | 30        |     |
| Current income tax assets (Note 6(18))                        |  |  |  |                   | 5,446      | 0                 |  |                                             | 111       | 0   | Accounts payable - related parties (Note 7)            |                   |  |                   |    | 273,662    | 2         |    | 198,653   | 2         |     |
| Prepayments                                                   |  |  |  |                   | 646,886    | 5                 |  |                                             | 291,170   | 4   | Other payables (Note 6(11))                            |                   |  |                   |    | 378,024    | 3         |    | 344,503   | 4         |     |
| Other financial assets (Note 6(2))                            |  |  |  |                   | 3,036,005  | 25                |  |                                             | 670,725   | 8   | Current income tax liabilities (Note 6(18))            |                   |  |                   |    | -          | 0         |    | -         | 0         |     |
| Refundable deposits on construction contracts (Note 6(5))     |  |  |  |                   | 217,638    | 2                 |  |                                             | 95,924    | 1   | Provision - current (Note 6(12))                       |                   |  |                   |    | 23,746     | 0         |    | 48,382    | 1         |     |
| Other current assets                                          |  |  |  |                   | 673        | 0                 |  |                                             | 1,405     | 0   | Lease liabilities - current (Note 6(8))                |                   |  |                   |    | 70,327     | 1         |    | 76,380    | 1         |     |
| Total current assets                                          |  |  |  |                   | 8,904,920  | 73                |  |                                             | 5,880,831 | 72  | Current portion of long-term notes payable(Note 6(10)) |                   |  |                   |    | 78,626     | 1         |    | 78,673    | 1         |     |
|                                                               |  |  |  |                   |            |                   |  | Other current liabilities                   |           |     |                                                        |                   |  |                   |    |            | 258,353   | 2  |           | 84,180    | 1   |
|                                                               |  |  |  |                   |            |                   |  | Total current liabilities                   |           |     |                                                        |                   |  |                   |    |            | 9,277,041 | 77 |           | 5,471,473 | 67  |
|                                                               |  |  |  |                   |            |                   |  | NON-CURRENT LIABILITIES                     |           |     |                                                        |                   |  |                   |    |            |           |    |           |           |     |
|                                                               |  |  |  |                   |            |                   |  | Lease liabilities - non-current (Note 6(8)) |           |     |                                                        |                   |  |                   |    |            | 167,326   | 1  |           | 64,258    | 1   |
|                                                               |  |  |  |                   |            |                   |  | Long-term notes payable (Note 6(10))        |           |     |                                                        |                   |  |                   |    |            | 30,855    | 0  |           | 109,481   | 1   |
|                                                               |  |  |  |                   |            |                   |  | Accrued pension liabilities (Note 6(13))    |           |     |                                                        |                   |  |                   |    |            | 51,838    | 0  |           | 68,254    | 1   |
|                                                               |  |  |  |                   |            |                   |  | Other non-current liabilities               |           |     |                                                        |                   |  |                   |    |            | 46,879    | 0  |           | 48,872    | 1   |
|                                                               |  |  |  |                   |            |                   |  | Total non-current liabilities               |           |     |                                                        |                   |  |                   |    |            | 296,898   | 1  |           | 290,865   | 4   |
| NON-CURRENT ASSETS                                            |  |  |  |                   |            |                   |  | Total liabilities                           |           |     |                                                        |                   |  |                   |    |            | 9,573,939 | 78 |           | 5,762,338 | 71  |
| Investments accounted for using the equity method (Note 6(6)) |  |  |  |                   | 215,097    | 2                 |  |                                             | 189,907   | 2   | EQUITY                                                 |                   |  |                   |    |            |           |    |           |           |     |
| Property, plant and equipment (Note 6(7))                     |  |  |  |                   | 1,810,117  | 15                |  |                                             | 1,455,071 | 18  | Share capital (Note 6(14))                             |                   |  |                   |    |            |           |    |           |           |     |
| Right-of-use assets (Note 6(8))                               |  |  |  |                   | 234,866    | 2                 |  |                                             | 137,613   | 2   | Ordinary shares                                        |                   |  |                   |    | 2,374,837  | 20        |    | 2,374,837 | 29        |     |
| Investment properties-net (Note 6(9))                         |  |  |  |                   | 308,808    | 2                 |  |                                             | 310,771   | 4   | Capital surplus (Note 6(14))                           |                   |  |                   |    | 37,701     | 1         |    | 37,701    | 1         |     |
| Intangible assets                                             |  |  |  |                   | 1,136      | 0                 |  |                                             | 1,566     | 0   | Retained Earnings (Note 6(14))                         |                   |  |                   |    |            |           |    |           |           |     |
| Prepayments for equipment                                     |  |  |  |                   | 698,450    | 6                 |  |                                             | 53,822    | 1   | Legal reserve                                          |                   |  |                   |    | 24,167     | 0         |    | 24,167    | 0         |     |
| Refundable deposits (Note 6(5))                               |  |  |  |                   | 4,666      | 0                 |  |                                             | 96,681    | 1   | Unappropriated earnings(Accumulated losses)            |                   |  |                   |    | 167,416    | 1         |    | (72,781)  | (1)       |     |
| Overdue receivables(Note 6(3))                                |  |  |  |                   | -          | 0                 |  |                                             | -         | 0   | Total retained earnings                                |                   |  |                   |    | 191,583    | 1         |    | (48,614)  | (1)       |     |
| Total non-current assets                                      |  |  |  |                   | 3,273,140  | 27                |  |                                             | 2,245,431 | 28  | Treasury stock(Note 6(14))                             |                   |  |                   |    | 0          | 0         |    | 0         | 0         |     |
|                                                               |  |  |  |                   |            |                   |  | Total equity                                |           |     |                                                        |                   |  |                   |    |            | 2,604,121 | 22 |           | 2,363,924 | 29  |
| Total assets                                                  |  |  |  | \$                | 12,178,060 | 100               |  | \$                                          | 8,126,262 | 100 | Total liabilities and equity                           |                   |  |                   | \$ | 12,178,060 | 100       |    | \$        | 8,126,262 | 100 |

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

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**  
**Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
For the Years Ended December 31, 2022 and 2021

| ITEMS                                                                                                                           | Unit: NT\$ Thousands                    |      |                                         |       |
|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------|-----------------------------------------|-------|
|                                                                                                                                 | For the Year Ended<br>December 31, 2022 |      | For the Year Ended<br>December 31, 2021 |       |
|                                                                                                                                 | Amount                                  | %    | Amount                                  | %     |
| OPERATING REVENUE (Note 6(15))                                                                                                  | \$ 7,829,974                            | 100  | \$ 7,270,865                            | 100   |
| OPERATING COSTS                                                                                                                 | (7,569,706)                             | (97) | (7,310,073)                             | (101) |
| GROSS PROFIT(LOSS) BEFORE ADJUSTMENTS                                                                                           | 260,268                                 | 3    | (39,208)                                | (1)   |
| (UNREALIZED) GROSS PROFIT ON SALES TO<br>SUBSIDIARIES                                                                           | -                                       | 0    | -                                       | 0     |
| (REALIZED) GROSS PROFIT ON SALES TO<br>SUBSIDIARIES                                                                             | 85                                      | 0    | 85                                      | 0     |
| GROSS PROFIT(LOSS)                                                                                                              | 260,353                                 | 3    | (39,123)                                | (1)   |
| OPERATING EXPENSES                                                                                                              | (179,442)                               | (2)  | (148,027)                               | (2)   |
| EXPECTED CREDIT GAIN                                                                                                            | 180,000                                 | 2    | -                                       | 0     |
| PROFIT (LOSS) FROM OPERATIONS                                                                                                   | 260,911                                 | 3    | (187,150)                               | (3)   |
| NON-OPERATING INCOME AND EXPENSES                                                                                               |                                         |      |                                         |       |
| Interest income (Note 6(16))                                                                                                    | 6,251                                   | 0    | 688                                     | 0     |
| Other income (Note 6(16))                                                                                                       | 14,291                                  | 0    | 6,444                                   | 0     |
| Other income - others (Note 7)(Note 9(4))                                                                                       | -                                       | 0    | 563,345                                 | 8     |
| Other gains and losses (Note 6(16))                                                                                             | (5,412)                                 | (0)  | 6,423                                   | 0     |
| Finance costs (Note 6(16))                                                                                                      | (63,507)                                | (1)  | (51,566)                                | (1)   |
| Share of profit and loss of subsidiaries, associates<br>and joint ventures accounted for using the equity<br>method (Note 6(6)) | 29,667                                  | 1    | 31,398                                  | 1     |
| Total non-operating income and expenses                                                                                         | (18,710)                                | (0)  | 556,732                                 | 8     |
| INCOME BEFORE INCOME TAX                                                                                                        | 242,201                                 | 3    | 369,582                                 | 5     |
| INCOME TAX EXPENSE (Note 6(18))                                                                                                 | -                                       | 0    | -                                       | 0     |
| NET INCOME                                                                                                                      | 242,201                                 | 3    | 369,582                                 | 5     |
| OTHER COMPREHENSIVE INCOME                                                                                                      |                                         |      |                                         |       |
| Items that will not be reclassified subsequently<br>to profit or loss:                                                          |                                         |      |                                         |       |
| Remeasurement of defined benefit obligation (Note 6(13))                                                                        | (2,193)                                 | (0)  | (10,331)                                | (0)   |
| Share of other comprehensive income of<br>subsidiaries, associates and joint ventures<br>accounted for using the equity method  | 189                                     | 0    | (40)                                    | (0)   |
| Income taxes relating to items that will not be<br>reclassified subsequently                                                    | -                                       | 0    | -                                       | 0     |
| Other comprehensive income/(loss) for the<br>period, net of income tax                                                          | (2,004)                                 | (0)  | (10,371)                                | (0)   |
| TOTAL COMPREHENSIVE INCOME/(LOSS)<br>FOR THE PERIOD                                                                             | \$ 240,197                              | 3    | \$ 359,211                              | 5     |
| EARNINGS PER SHARE (Note 6(19))                                                                                                 |                                         |      |                                         |       |
| Basic                                                                                                                           | \$ 1.02                                 |      | \$ 1.56                                 |       |
| Diluted                                                                                                                         | \$ 1.02                                 |      | \$ 1.56                                 |       |

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

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statements of Changes in Equity**

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

**Unit: NT\$ Thousands**

| ITEMS                                                                  | Share Capital       | Capital Surplus  | Retained Earnings |                   | Treasury Stock | Total Equity        |
|------------------------------------------------------------------------|---------------------|------------------|-------------------|-------------------|----------------|---------------------|
|                                                                        |                     |                  | Legal Reserve     | Retained earnings |                |                     |
| <b>BALANCE AT JANUARY 1, 2021</b>                                      | \$ 2,419,837        | \$ 37,087        | \$ 24,167         | \$ (431,992)      | \$ (44,386)    | \$ 2,004,713        |
| Net income for the year ended December 31, 2021                        | -                   | -                | -                 | 369,582           | -              | 369,582             |
| Other comprehensive income (loss) for the year ended December 31, 2021 | -                   | -                | -                 | (10,371)          | -              | (10,371)            |
| Total comprehensive income (loss) for the year ended December 31, 2021 | -                   | -                | -                 | 359,211           | -              | 359,211             |
| Cancellation of Treasury Stock                                         | (45,000)            | 614              | -                 | -                 | 44,386         | -                   |
| <b>BALANCE AT DECEMBER 31, 2021</b>                                    | 2,374,837           | 37,701           | 24,167            | (72,781)          | -              | 2,363,924           |
| Net income for the year ended December 31, 2022                        | -                   | -                | -                 | 242,201           | -              | 242,201             |
| Other comprehensive income (loss) for the year ended December 31, 2022 | -                   | -                | -                 | (2,004)           | -              | (2,004)             |
| Total comprehensive income (loss) for the year ended December 31, 2022 | -                   | -                | -                 | 240,197           | -              | 240,197             |
| <b>BALANCE AT DECEMBER 31, 2022</b>                                    | <u>\$ 2,374,837</u> | <u>\$ 37,701</u> | <u>\$ 24,167</u>  | <u>\$ 167,416</u> | <u>\$ -</u>    | <u>\$ 2,604,121</u> |

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

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

| ITEMS                                                                                                    | Unit: NT\$ Thousands                    |                                         |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                                                                          | For the Year Ended<br>December 31, 2022 | For the Year Ended<br>December 31, 2021 |
|                                                                                                          | Amount                                  | Amount                                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                              |                                         |                                         |
| Income before income tax                                                                                 | \$ 242,201                              | \$ 369,582                              |
| Adjustments for:                                                                                         |                                         |                                         |
| Income and expense items that do not affect cash flows                                                   |                                         |                                         |
| Depreciation expenses                                                                                    | 227,504                                 | 206,100                                 |
| Amortization expenses                                                                                    | 650                                     | 514                                     |
| Expected credit loss recognized/(reversed)                                                               | (180,000)                               | -                                       |
| Interest expense                                                                                         | 63,002                                  | 51,172                                  |
| Interest income                                                                                          | (6,251)                                 | (688)                                   |
| Share of profits of subsidiaries, associates and joint ventures<br>accounted for using the equity method | (29,667)                                | (31,398)                                |
| Cash dividends of investments accounted for using equity method                                          | 4,751                                   | -                                       |
| Loss/(Gain) on disposal of property, plant and equipment                                                 | 72                                      | (6,423)                                 |
| Realized gross profit on sales to subsidiaries                                                           | (85)                                    | (85)                                    |
| Lease Modification Benefit                                                                               | (20)                                    | -                                       |
| Compensation income                                                                                      | -                                       | (563,345)                               |
| Total amount of income and expense items that do not<br>affect cash flows                                | 79,956                                  | (344,153)                               |
| Changes in operating assets and liabilities:                                                             |                                         |                                         |
| Net changes in operating assets:                                                                         |                                         |                                         |
| Contract assets                                                                                          | 100,141                                 | 210,311                                 |
| Accounts receivable                                                                                      | 140,872                                 | (605,001)                               |
| Other receivables                                                                                        | 125,875                                 | (2,537)                                 |
| Prepayments                                                                                              | (355,716)                               | 81,881                                  |
| Refundable deposits on construction contracts                                                            | (121,714)                               | (23,055)                                |
| Other current assets                                                                                     | 180                                     | (770)                                   |
| Other financial assets                                                                                   | (2,365,280)                             | 167,407                                 |
| Net changes in operating assets:                                                                         | (2,475,642)                             | (171,764)                               |
| Net changes in operating liabilities:                                                                    |                                         |                                         |
| Contract liabilities                                                                                     | 3,644,105                               | 150,093                                 |
| Notes payable                                                                                            | (228,173)                               | 103,415                                 |
| Accounts payable                                                                                         | (282,528)                               | 512,102                                 |
| Other payables                                                                                           | 32,153                                  | 72,409                                  |
| Provision                                                                                                | (24,636)                                | 48,382                                  |
| Other current liabilities                                                                                | 8,577                                   | (63,730)                                |
| Accrued pension liabilities                                                                              | (18,609)                                | (7,034)                                 |
| Net changes in operating liabilities:                                                                    | 3,130,889                               | 815,637                                 |
| Total changes in operating assets and liabilities:                                                       | 655,247                                 | 643,873                                 |

(Continued)

|                                                                     |                    |                   |
|---------------------------------------------------------------------|--------------------|-------------------|
| Total adjustment amounts                                            | 735,203            | 299,720           |
| Cash generated from/(used in) operations                            | 977,404            | 669,302           |
| Interest received                                                   | 56,108             | 669               |
| Interest paid                                                       | (57,557)           | (46,769)          |
| Income tax received                                                 | (5,335)            | 114               |
| <b>Net cash generated from/(used in) operating activities</b>       | <b>970,620</b>     | <b>623,316</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                    |                   |
| (Decrease)/increase in financial assets at amortized cost - current | (252,672)          | (16,606)          |
| Payments for property, plant and equipment                          | (207,901)          | (196,626)         |
| Proceeds from the disposal of property, plant and equipment         | 45,643             | 19,621            |
| Increase in refundable deposits                                     | 92,015             | (129)             |
| Payments for intangible assets                                      | (220)              | (1,260)           |
| Payments for Investment properties                                  | -                  | (44,816)          |
| Increase in prepayments for equipment                               | (971,460)          | (150,140)         |
| <b>Net cash used in investing activities</b>                        | <b>(1,294,595)</b> | <b>(389,956)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                    |                   |
| (Decrease)/increase in short-term borrowings                        | 495,206            | (153,050)         |
| Increase in long-term loans                                         | (78,673)           | 109,481           |
| Increase/(decrease) in deposits received                            | 163,604            | 9,618             |
| Repayment of the principal portion of lease liabilities             | (95,313)           | (92,426)          |
| <b>Net cash (used in)/generated from/financing activities</b>       | <b>484,824</b>     | <b>(126,377)</b>  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                    | <b>160,849</b>     | <b>106,983</b>    |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>     | <b>262,993</b>     | <b>156,010</b>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>           | <b>\$ 423,842</b>  | <b>\$ 262,993</b> |

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

# **HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

## **Notes to Financial Statements**

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

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

### **1. Company History**

Hwang Chang General Contractor Co., LTD. (hereinafter referred to as “the Corporation”) was established under the provisions of the Company Act of the Republic of China (R.O.C.) in January, 1981. The Corporation, whose shares have been traded on the Taiwan Stock Exchange since October 15, 1999, is mainly engaged in the contracting business of civil engineering projects. The major construction projects contracted by the Corporation in 2022 are listed as follows:

- The segment CQ860 of MRT Wanda-Zhonghe-Shulin Line
- The reconstruction of Huannan Public Market
- The new freeway construction project from Dayuan Interchange (National Freeway 2) to Provincial Highway 15
- The port and embankment construction project of The Third Liquefied Natural Gas Terminal
- The new turnkey project of Zhonghe Anbang youth social housing
- The construction of the new system interchange from National Freeway 3 to Provincial Highway 66
- The new turnkey project of Sanxia Guoguang segment (phase 2) youth social housing
- Taoyuan City Zhongli Sports Park Section Expropriation Project
- Kwun Tong Receiving Station Extrapolation Plan Outline Breakwater New Construction
- Increased installation of gate improvement Construction at Wugu Interchange on National Highway 1.
- Taipei Circular Line Section bid Y20-Y23: Civil construction &Hydropower environmental control.

### **2. Approval Date and Procedures of the Financial Statement**

The parent-company-only financial statements have been approved by the board of directors on March 15, 2023.

### **3. Applications of Newly Issued and Revised Standards and Interpretations**

- (1) The impact of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC):

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company’s accounting policies.

- (2) The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

| <b>New, Revised or Amended Standards and Interpretations</b>                                            | <b>Effective Date Announced by IASB</b> |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Amendments to IAS 1 “Disclosure of Accounting Policies”                                                 | January 1, 2023 (Note 1)                |
| Amendments to IAS 8 “Definition of Accounting Estimates”                                                | January 1, 2023 (Note 2)                |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3)                |

Note 1: The amendments to IAS 1 will be applied on or after the annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments to IAS 8 will be applied on or after the annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendment applies to transactions occurring after January 1, 2023, except for the recognition of deferred income tax on temporary differences in lease and decommissioning obligations on January 1, 2022.

The Corporation is continuously assessing the possible impacts that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose relevant impacts when the assessment is completed.

- (3) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

| <b>New, Revised or Amended Standards and Interpretations</b>                                                             | <b>Effective Date Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB                         |
| Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”                                                  | January 1, 2024(Note 2)                          |
| IFRS 17 “Insurance Contracts”                                                                                            | January 1, 2023                                  |
| Amendments to IFRS 17                                                                                                    | January 1, 2023                                  |
| Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “                             | January 1, 2023                                  |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”                                            | January 1, 2023                                  |
| Amendments to IAS 1 “Noncurrent Liabilities with Covenants”                                                              | January 1, 2024                                  |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The seller and lessee shall apply the amendments of IFRS 16 retroactively to the sale and leaseback transactions signed after the date of initial application of IFRS 16.

The Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

(1) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of preparation

- a. The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.
- b. Significant accounting estimates are required in order to prepare financial statements in accordance with the IFRSs endorsed by the FSC, and the judgments of the Management are essential in the process of applying the Corporation's accounting policies as well. For the items involving a high degree of subjective judgment or complexity, or those involving significant assumptions and estimates of the financial reports, please refer to the explanation in note 5.
- c. When preparing the financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order to make the amounts of the net profit, other comprehensive income and total equity in the financial statements to be the same as the amounts attributable to the owner of the Corporation in its financial statements, adjustments arising from the differences in accounting treatment between the Corporation only basis and the consolidated basis were made to the account "Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method" and the related equity items, as appropriate, in the financial statements.

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

The normal operating cycle applies when considering the classification of the Corporation's construction-related assets and liabilities. For the remaining items, the classification criteria were as follows:

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

- a. The asset is expected to be realized within normal operating cycle, or it is intended to be sold or depleted;
- b. The asset is held mainly for trading purposes;
- c. The asset is expected to be realized within 12 months after the reporting period; or

- d. The asset belongs to cash or cash equivalents which are not restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period or subject to other restrictions.

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

- a. The liability is expected to be settled within normal operating cycle;
- b. The liabilities held are primarily for the trading purposes;
- c. The liabilities are expected to be settled within 12 months after the reporting period; or
- d. The liability belongs to those of which the Corporation has no unconditional right to defer the settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposit and check deposit. Cash equivalents refer to the short-term and highly liquid investment that can be converted into a fixed amount of cash at any time with little value volatility. Time deposits are classified as cash equivalents only when they satisfy the aforementioned definition, and the purpose of holding them is for meeting the short-term cash commitments instead of investment or other purposes.

(5) Financial Instruments

Financial assets and financial liabilities are primitively recognized in the balance sheets when the Corporation becomes a party to the contractual provisions of the instrument. At initial recognition, the Corporation measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Measurement categories of financial assets

By conventional practices, all purchases or sales of financial derivatives are recognized and derecognized using the settlement date basis, whereas other financial assets are recognized and derecognized using the trade date basis.

The financial assets currently held by the Corporation consist of three categories, namely financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at amortized cost, and investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

a) Financial assets at FVTPL

Financial assets at fair value through profit or loss can be either mandatorily required or designated to be measured at FVTPL. The financial assets that are

mandatorily measured at FVTPL include debt instruments that do not meet the criteria of amortized cost or FVTOCI and equity instruments that are not designated to be measured at fair value through other comprehensive income.

The financial assets at FVTPL are measured at their fair values. The net gains or losses arising from remeasurement, excluding any interest or dividends earned on the financial asset, are recognized in profit or loss. For the method to determine the fair value, please refer to Note 12(2).

b) Financial assets at amortized cost

Financial assets that meet the following conditions are measured at amortized cost:

- I. The financial asset is held under a business model whose purpose is to hold financial assets in order to collect contractual cash flows; and
- II. The contractual terms of the financial asset generate cash flows on specific dates, and the cash flows are solely used to pay for the principal and interest of the outstanding principal amount.

Subsequent to the initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- I. Purchased or originated credit-impaired financial assets, for which the interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- II. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which the interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

c) Investments in equity instruments at FVTOCI.

At initial recognition, the Corporation may make an irrevocable selection to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading purposes or if it is the contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on the disposal of the equity investments; instead, it will be transferred directly to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established,

unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including account receivables).

The Corporation recognizes the lifetime expected credit losses (ECLs) for account receivables. For other financial instruments, the Corporation recognizes the lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to the 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with respect to the default risks. Lifetime ECLs represent the expected credit losses resulting from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the expected credit losses resulting from the possible default events within 12 months after the reporting date.

The impairment loss of all financial assets reduces their carrying amounts through the corresponding loss allowance accounts.

c. Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. When a financial asset at amortized cost is derecognized entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. When an investment in an equity instrument at FVTOCI is derecognized entirely, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without the reclassification to profit or loss.

d. Financial liabilities and equity instruments

a) Classification of financial liabilities or equity instruments

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

b) Equity instruments

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

c) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using effective interest method when they are not held for trading or designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognized in other profit or loss in the comprehensive income statement.

d) Other financial liabilities

Financial liabilities are initially recognized at fair value plus any directly attributable transaction costs if they are not held for trading or designated as at fair value through profit or loss (including short-term and long-term loans, bonds payable, accounts payable and other payables), and they are subsequently measured at amortized cost by the effective interest method. The interest expense which is not capitalized as the costs of an asset is reported in the finance costs item in non-operating income and expense.

e) Derecognition of financial liabilities

The Corporation derecognizes a financial liability only when the contractual obligations are discharged, cancelled or terminated.

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

f) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities shall be offset against each other and expressed in the net amount in the balance sheet only when the Corporation currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the financial assets and settle the financial liabilities simultaneously.

(6) Inventories

Inventories are recorded at cost and adjusted to weighted-average cost through the perpetual inventory method. At the end of the reporting period, the Corporation states the inventories at the lower of cost or net realizable value, applying the item-by-item method for all inventories except for those from identical categories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(7) Investments accounted for using equity method

The Corporation uses the equity method to account for its investments in subsidiaries.

a. A subsidiary is an entity that is controlled by the Corporation.

- b. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in other equity of the subsidiary in proportion to the Corporation's shareholding ratio.
- c. Changes in the Corporation's ownership interest in a subsidiary, which do not cause the Corporation to lose control over the subsidiary, are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.
- d. When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value on the date when the control is lost. The difference between the fair value of the investment retained in the former subsidiary plus any consideration received and the carrying amount of the previous investment on the date when the control was lost is recognized as gain or loss in profit or loss. In addition, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Corporation directly disposed of the related assets or liabilities.
- e. For the investment retained in the former subsidiary, the fair value on the date when the control is lost is used as the amount initially recognized in investment in associates.
- f. Profit or loss resulting from downstream transactions is eliminated in full in the financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized in the financial statements only to the extent that the interests in the subsidiaries are not related to the Corporation.

(8) Property, plant and equipment

a. Recognition and measurement

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment. The cost of self-constructed asset includes direct materials, direct labor expense, the estimated costs of future disassembly, removal of the asset and recover of the location, the funding costs that meet the criteria of asset capitalization, and any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Additionally, the cost also includes the effective portion of cash flow hedge transferred from equity for the purchase of property, plant and equipment denoted in foreign currency, and the software purchased in order to integrate the function of relevant equipment shall also be capitalized as a part of the equipment.

When an item of property, plant and equipment consists of distinct parts, and their costs, in relation to the total cost of the item, are so significant that it is

more appropriate to apply different depreciating rates or depreciation methods, the parts shall be treated as separate items (main components) of property, plant, and equipment.

Gains or losses arising from the disposal or retirement of an item of property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognized in profit or loss.

b. Reclassification to investment property

When the property for own use is reclassified as investment property, the carrying amount of the property on the date of transfer is used as initial carrying value of the investment property.

c. Subsequent costs

Subsequent costs are considered a part of the carrying amount of the property, plant and equipment only when their future economic benefits are likely to flow into the Corporation, and the amount can be reliably measured; meanwhile, the carrying amount of the parts replaced shall be derecognized. The costs incurred on a regular basis to keep the property, plant and equipment in healthy condition are expensed in profit or loss immediately.

d. Depreciation

Depreciation is calculated by deducting the residual value from the asset cost and is recognized in profit or loss within the estimated useful life of each component using the straight-line method. Each significant part is depreciated separately. If the estimated useful life of a part of an asset differs significantly from those of other parts of the asset, the part shall be depreciated individually. Depreciation is recognized in profit or loss.

The leased assets of which there is reasonable assurance the Corporation will obtain the ownership by the end of the lease term are depreciated over their estimated useful lives. Other leased assets are depreciated over the shorter of the lease terms and the useful lives.

No depreciation shall be recognized for the land.

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

- a) Houses and buildings: 55 years
- b) building improvements: 10 years
- c) Machinery: 1.58 to 16 years
- d) Transportation equipment: 3 to 13 years
- e) Furniture and fixtures: 3 to 12 years
- f) Other equipment: 5 to 16 years
- g) Vessels: 10 to 15 years
- h) Construction equipment: amortized evenly over the life of the construction contract
- i) Leasehold improvements: 5 to 15 years

The estimated useful lives, residual values and depreciation methods are reviewed and adjusted, if necessary, at the end of each reporting period, and any changes in the estimates are accounted for on a prospective basis.

(9) Investment properties

- a. Investment properties are properties held to earn rental and/or for capital appreciation.
- b. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight line method.
- c. On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

(10) Lease

The Corporation evaluates whether the contract is a lease or contains a lease on the contract establishment date.

a. The Corporation as lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the lease.

b. The Corporation as lessee

Except for payments for low-value asset leases and short-term leases, which are recognized as expenses on a straight-line basis, the Corporation recognizes right-of-use assets and lease liabilities for all leases on the commencement date of the lease.

Right-of-use assets are measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments less any lease incentives received and initial direct costs made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. If the implicit interest rate can be readily determined, the lease payments are discounted at the implicit rate. Otherwise, the lease payments are discounted at the lessee's incremental borrowing rate.

Lease liabilities are subsequently measured at amortized costs using the effective interest method, and the interest expenses are allocated over the lease terms. If the modification of the lease term leads to a change in future lease payments, the Corporation will remeasure the lease liability and adjust the right-of-use asset accordingly. Nonetheless, if the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented independently in the balance sheets.

(11) Intangible assets

Separately acquired intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: Technology license fees - the estimated life of the technology or the term of the technology transfer contract; software and system design costs - 3 to 5 years; patent and others - the economic life or the contract period. The estimated useful lives and amortization methods are reviewed and adjusted, if necessary, at the end of each reporting period, and any changes in the estimates are accounted for on a prospective basis.

(12) Impairment of non-financial assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the corporate assets can be allocated to the individual cash-generating units on a reasonable and consistent basis, they will be allocated to the individual cash-generating units; otherwise, they will be allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. When assessing the value in use, the Corporation discounts the estimated future cash flows using the pre-tax discount rate, which reflects the current market assessment of the following: the time value of money and the risk specific to the assets of which the future cash flow estimates have yet to be adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

(13) Provisions

A provision is recognized when the Corporation is charged with a current obligation (whether legal or constructive) as a result of a past event, and it is likely that the Corporation has to settle the obligation, whose amount can be reliably estimated.

When recognizing the amount of the provisions, the Corporation measures them at the best estimate of the payments required to settle the obligations at the end of the reporting period, taking into consideration the obligations' uncertainty and risks. If the provision is measured at the estimated cash flows to settle the current obligation, its carrying amount equals the present value of the cash flows.

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

(14) Treasury stock

When the Corporation repurchases some of its outstanding stock, the after-tax amount of the consideration paid for the repurchase (including the directly attributable costs) is recognized as "Treasury stock", a contra-equity account. If the disposal price of the treasury stock is higher than its carrying amount, the difference is recognized as Capital surplus - treasury stock transactions. If the disposal price is lower, on the other hand, then the difference shall be offset against the capital surplus generated from the transactions of similar treasury stock. If the balance of the capital surplus is insufficient to offset the difference, the remainder is recorded as a reduction of retained earnings. The carrying amount of Treasury stock is computed separately based on the reason for reacquisition using the weighted-average method.

Upon retirement, Ordinary shares and Capital surplus - treasury stock transactions are debited in proportion to the ratio of the shares retired. If the carrying amount of the retired treasury stock is higher than the sum of the par value and premium of them, the difference shall be offset against the capital surplus generated from the transactions of similar treasury stock. If the capital surplus is insufficient to offset the difference, the remainder is recorded as a reduction of retained earnings. If the carrying amount is lower than the sum, on the other hand, the capital surplus generated from the transactions of similar treasury stock is credited.

(15) Revenue recognition

The Corporation identifies the performance obligations from customer contracts, allocates the transaction price to each performance obligation, and recognizes revenue when each obligation is satisfied.

For the construction contracts that are under the control of clients at the time of construction, the revenue is gradually recognized over time. Since the costs invested in the construction are directly related to the degree of completion of the performance obligations, the Corporation measures the degree of completion on the proportion of the costs invested to the total estimated cost. The Corporation

gradually recognizes contract assets over the period of construction, and reclassifies them to account receivables at the point when the customer is invoiced. If the payments received exceed the revenues recognized to date, then the Corporation recognizes contract liabilities for the difference.

The retention receivable, certain payments retained by the customer as specified in the contract to ensure that the Corporation adequately completes all of its contractual obligations, are recognized as contract assets until the Corporation satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation of which the costs are expected to be recovered.

(16) Joint arrangements

A joint arrangement is an arrangement over which more than two parties have joint control. Joint arrangement includes joint operation and joint venture, and has the following characteristics: (a) the participants are bound by the contractual arrangement; (b) the arrangement confers at least two parties the joint control over the arrangement. IFRS 11 "Joint Arrangement" defines joint control as the contractual agreement to share control over an arrangement. It only exists when decisions related to relevant activities (i.e. activities that have a material impact on the remuneration of the arrangement) must be agreed by all parties sharing control.

A joint operation is a joint arrangement, by which the parties having joint control over the arrangement (that is, the joint operators) have rights to the assets and are obligated to the liabilities related to the arrangement. The joint operators shall recognize and measure assets and liabilities related to its equity in the arrangement (and recognize relevant income and expenses) under relevant IFRSs applicable to specific assets, liabilities, income, and expenses.

The Corporation shall consider the structure of the arrangement, the legal form of the separate vehicle, the terms of the contractual arrangement, and other facts or circumstances when evaluating the classification of joint arrangements.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the acquisition costs of those assets, and the exchange gains or losses of loans denoted in non-functional currencies are recorded as the adjusting amount of the aforementioned costs. Borrowing costs that are not directly attributable to qualifying assets are recorded as the acquisition costs of those assets based on the related costs calculated at the weighted average interest rate.

(18) Retirement benefits

The contribution obligation of a defined contribution plan is recognized as an expense during the period of service provided by the employee. The benefit expenses of a defined benefit pension plan are recognized as defined benefit costs in accordance with the actuarial result.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit pension plans are determined using the projected unit credit method. The service cost (including current service cost) and the net interest of the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period when they occur. Remeasurement, including actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period when it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Corporation's defined benefit plans.

(19) Income tax

Income tax expense represents the sum of the current and deferred income tax.

a. Current tax

Current income tax is calculated based on the taxable income (loss) of the current year. As part of the profits or losses belong to taxable or deductible items in other reporting periods, or do not belong to taxable or deductible items, the taxable income is different from the net income reported in the statements of comprehensive income. The current income tax-related liabilities of the Corporation are calculated in accordance with the tax rate that has been legislated or substantively legislated at the end of the reporting period.

According to the Income Tax Law in the ROC, a surtax on unappropriated earnings is reported as Income tax expense in the year when the shareholders passed the approval of retained earnings.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Previously unrecognized deferred tax assets are also reviewed at the

end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the Corporation to recover the deferred tax asset.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the liabilities will be settled or the assets will be realized, based on the tax rates (and tax laws) that have been legislated or substantively legislated at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except the case that they relate to items recognized in other comprehensive income or directly in equity; in such case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

(20) Earnings per share

The Corporation presents the basic and diluted earnings per share attributable to the Corporation's common equity holders. Basic earnings per share of the Corporation are calculated by dividing the profit and loss attributable to the Corporation's common equity holders by the weighted average number of outstanding common shares in the current period. Diluted earnings per share are calculated by adjusting the profit and loss attributable to the common equity holders of the Corporation and the weighted average number of outstanding common shares to the effects of all potentially dilutive securities. The Corporation's diluted earnings per share are calculated taking into account the convertible bonds and employee bonuses distributable through issuance of shares.

(21) Segment information

The operating segment is an integral part of the Corporation, engaged in business activities that may generate revenues and incur expenses (including revenues and expenses related to the transactions among other components of the Corporation). The operating results of all operating segments are periodically reviewed by the major operating decision-makers of the Corporation to make decisions on the allocation of resources to the segments and to evaluate their performance. Every operation segment has its individual financial information.

(22) Finance income and finance costs

Finance income comprises the interest income and dividend income generated from investments in financial assets, the impairment reversal gains on financial assets, the disposal gains on available-for-sale financial assets, the net gains on financial assets (liabilities) at FVTPL, and the gains on hedging instruments that should be recognized in profit or loss. Interest income is recognized as profit or loss using the effective interest method on an accrual basis. Dividend income is recognized on the date when the Corporation obtains the right to collect the dividend. Interest income and dividend income are presented in Other income, a component of Non-operating income and expenses, while the gains and losses on

other items are recognized at net amount in Other gains and losses, a component of Non-operating income and expenses.

Finance costs comprise the interest expense of loans, interest expenses recognized over time from changes in the present value of provisions, dividends paid on preferred stock classified as liabilities (reported in interest expense), the net losses on financial assets (liabilities) at FVTPL, the impairment losses on financial assets, the disposal losses on available-for-sale financial assets, and the losses on hedging instruments that should be recognized in profit or loss. Finance costs other than interest expense are reported with relevant gains in Other gains and losses, a component of Non-operating income and expenses.

Borrowing costs that are not directly attributable to qualifying assets are recognized in profit or loss using the effective interest method.

Gains and losses on exchange are reported in net amounts in Other gains and losses, a component of Non-operating income and expenses.

## **5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period when the estimates are revised if the revisions affect only that period; alternatively, they are recognized in the period of the revisions and future periods if they affect both current and future periods.

The following is the information about the major assumptions made for the future and other major sources of uncertainty in the estimates at the end of the financial report period. These assumptions and estimates have the risk of causing significant adjustments in the carrying amounts of assets and liabilities in the next financial year.

### **(1) Recognition of operating income**

The Corporation's construction contract revenues are recognized using the percentage-of-completion method, and the percentage of completion is estimated by the proportion of the costs invested to the total estimated cost.

### **(2) Estimated impairment of financial assets**

- a. The estimated impairment of accounts receivable and investments in debt instruments is based on assumptions about risk of default and expected loss rates made by the Corporation, taking into consideration the Corporation's historical experiences as well as existing market conditions. If the actual cash flows are less than expected, a material impairment loss may arise.
- b. For relevant information on the possible adjustments of the financial statements of the next period, due to the accounts receivable and other receivables to which the Corporation has taken corresponding legal actions, please refer to Note 6(3), Note 9(3) and Note 12.

(3) Impairment assessment on investments accounted for using equity method

The Corporation immediately recognizes impairment losses on its net investment in an associate when there is an indication that the investment may be impaired and the carrying amount may not be recoverable. The Management evaluates the impairment based on the estimated future cash flows expected to be generated by the invested company, taking into account the growth rate of sales and the capacity of the production facilities as estimated by the invested company's management. The Corporation also takes into consideration market conditions and industry trends when evaluating the appropriateness of the relevant assumptions.

(4) Realizability of deferred tax assets

Deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized. Assessment of the realizability of the deferred tax assets involves subjective critical accounting judgments and estimates of the Management; thus, any change in global economic environment, industrial trends and relevant laws could result in significant adjustments in the deferred tax assets.

(5) Calculation of defined benefit obligation

The pension costs of the retirement benefit plan and the present value of defined benefit obligations are determined via actuarial valuation. The process of actuarial valuation involves various assumptions, including those for the discount rate, future salary growth, mortality rate and potential increases in future pension payments. For details of the assumptions used to evaluate pension costs and defined benefit obligations, please refer to Note 6(13).

## 6. Descriptions of Significant Accounting Items

(1) Cash and cash equivalents

|                     | <u>2022.12.31</u> | <u>2021.12.31</u> |
|---------------------|-------------------|-------------------|
| Cash and petty cash | \$ 2,270          | \$ 2,222          |
| Demand deposits     | 421,572           | 260,771           |
| Check deposits      | --                | --                |
| Time deposits       | --                | --                |
|                     | <u>\$ 423,842</u> | <u>\$ 262,993</u> |

Please refer to Note 12(2) for the disclosure of interest rate risk and sensitivity analysis of financial assets and liabilities of the Corporation.

(2) Financial assets

a. The details were as follows:

|                                    | <u>2022.12.31</u> | <u>2021.12.31</u> |
|------------------------------------|-------------------|-------------------|
| Current:                           |                   |                   |
| Financial assets measured at FVTPL |                   |                   |
| Mutual funds                       | \$ --             | \$ --             |

|                                                | <u>2022.12.31</u>   | <u>2021.12.31</u>   |
|------------------------------------------------|---------------------|---------------------|
| Financial assets measured at<br>amortized cost |                     |                     |
| Time deposits                                  | 740,797             | 488,125             |
| Joint contract distribution                    |                     | --                  |
| Total                                          | <u>740,797</u>      | <u>488,125</u>      |
| Other financial assets                         |                     |                     |
| Demand deposits                                | 3,035,771           | 669,951             |
| Joint contract distribution                    | 234                 | 774                 |
| Total                                          | <u>3,036,005</u>    | <u>670,725</u>      |
|                                                | <u>\$ 3,776,802</u> | <u>\$ 1,158,850</u> |
| Non-current                                    |                     |                     |
| Financial assets measured at<br>amortized cost |                     |                     |
| Time deposits                                  | <u>\$ --</u>        | <u>\$ --</u>        |

b. Other information was as follows:

|                                                | <u>For the Years Ended December 31</u> |                 |                      |                 |
|------------------------------------------------|----------------------------------------|-----------------|----------------------|-----------------|
|                                                | <u>2022</u>                            |                 | <u>2021</u>          |                 |
|                                                | <u>Interest Rate</u>                   | <u>Year of</u>  | <u>Interest Rate</u> | <u>Year of</u>  |
|                                                | <u>Interval</u>                        | <u>Maturity</u> | <u>Interval</u>      | <u>Maturity</u> |
| Financial assets measured at<br>amortized cost | 0.05%~1.10%                            | 2023            | 0.05%~1.07%          | 2022            |

c. Explanations of the evaluation adjustments of the Corporation's investments at FVTPL were as follows:

|                             | <u>For the Years Ended December 31</u> |              |
|-----------------------------|----------------------------------------|--------------|
|                             | <u>2022</u>                            | <u>2021</u>  |
| Balance at January 1        | \$ --                                  | \$ --        |
| Increase during the period  | --                                     | --           |
| Write-off during the period | --                                     | --           |
| Balance at December 31      | <u>\$ --</u>                           | <u>\$ --</u> |

d. The Corporation discloses the exposures to risks of credits, foreign currencies and interest rates related to financial instruments in Note 12(2).

e. As of December 31, 2022 and 2021, the restricted prepayment account funds(Listed in other financial assets) were 2,530,998 and 32,804 thousand dollars respectively; the purpose of the special account funds is limited to pay the project costs and expenses (including equipment).

f. Please refer to Note 8 for the information regarding the Corporation's financial assets pledged as collateral as of December 31, 2022 and 2021.

(3) Accounts receivable, other receivables and overdue receivables

a. The details were as follows:

|                                                        | For the Years Ended December 31 |                     |
|--------------------------------------------------------|---------------------------------|---------------------|
|                                                        | 2022                            | 2021                |
| Account receivables:                                   |                                 |                     |
| Construction contract receivables                      | \$ 1,187,225                    | \$ 1,328,097        |
| Construction contract receivables<br>- related parties | --                              | --                  |
| Joint contract distribution                            | --                              | --                  |
| Total                                                  | 1,187,225                       | 1,328,097           |
| Less: Allowance for impairment loss                    | --                              | --                  |
|                                                        | <u>\$ 1,187,225</u>             | <u>\$ 1,328,097</u> |
| Other receivables:                                     |                                 |                     |
| Other notes receivable                                 |                                 |                     |
| Non-related parties                                    | \$ --                           | \$ --               |
| Less: Allowance for<br>impairment loss                 | --                              | --                  |
| Other notes receivable,<br>net amount                  | --                              | --                  |
| Other receivables:                                     |                                 |                     |
| Interest receivable                                    | 724                             | 112,174             |
| Advance payments under<br>joint contract               | --                              | 129,496             |
| Others                                                 | 20,863                          | 17,242              |
| Total                                                  | 21,587                          | 258,912             |
| Less: Allowance for impairment<br>loss (Note 9(3))     | (305)                           | (241,898)           |
| Other receivables, net amount                          | <u>21,282</u>                   | <u>17,014</u>       |
|                                                        | <u>\$ 21,282</u>                | <u>\$ 17,014</u>    |
| Overdue receivables                                    | \$ --                           | \$ --               |
| Less: Allowance for impairment loss                    | --                              | --                  |
|                                                        | <u>\$ --</u>                    | <u>\$ --</u>        |

b. The recognition of Other receivables - Advance payments under joint contract results from the contributions paid in advance for the joint contractor, HWASUN ENGINEERING & CONSTRUCTION CO., LTD., of the jointly contracted project, the CO3 segment of Kaohsiung MRT. For relevant explanations of this advance payment and the allowance for impairment loss on its interest payable, please refer to Note 9(3).

- c. The Corporation's Allowance for impairment loss of accounts receivable and other receivables:

- a) The loss allowances evaluated by the Corporation were as follows:

| <b>2022.12.31</b>     | <b>Not Past Due</b>        | <b>Past Due Over<br/>365 Days</b> | <b>Total</b>               |
|-----------------------|----------------------------|-----------------------------------|----------------------------|
| Gross carrying amount | \$ 1,208,812               | \$ --                             | \$ 1,208,812               |
| Loss allowance        | (305)                      | --                                | (305)                      |
|                       | <u><b>\$ 1,208,507</b></u> | <u><b>\$ --</b></u>               | <u><b>\$ 1,208,507</b></u> |
| <b>2021.12.31</b>     | <b>Not Past Due</b>        | <b>Past Due Over<br/>365 Days</b> | <b>Total</b>               |
| Gross carrying amount | \$ 1,345,416               | \$ 241,593                        | \$ 1,587,009               |
| Loss allowance        | (305)                      | (241,593)                         | (241,898)                  |
|                       | <u><b>\$ 1,345,111</b></u> | <u><b>\$ --</b></u>               | <u><b>\$ 1,345,111</b></u> |

- b) The movements of the loss allowance of accounts receivable were as follows:

|                               | <b>For the Years Ended December 31</b> |                          |
|-------------------------------|----------------------------------------|--------------------------|
|                               | <b>2022</b>                            | <b>2021</b>              |
| Balance at January 1          | \$ 241,898                             | \$ 241,898               |
| Add: Expected credit loss     | --                                     | --                       |
| Less: Amounts written off     | (61,593)                               | --                       |
| Less: Reversal                | (180,000)                              | --                       |
| <b>Balance at December 31</b> | <u><b>\$ 305</b></u>                   | <u><b>\$ 241,898</b></u> |

- d. The impairment recognized in loss allowance evaluation represents the difference between the carrying amount of the account receivable and the expected recovery amount. For the information related to credit risks, please refer to Note 12(2). The Corporation does not possess any collateral for the balance.
- e. As of December 31, 2022 and 2021, none of the accounts receivable of the Corporation has been pledged as collateral.

(4) Construction in progress

- a. The Corporation reported as Contract assets the contract consideration it has yet to obtain the unconditional right to receive, and as Contract liabilities the consideration received in advance for which the Corporation is obliged to offer construction service subsequently, as specified in the contract. As of December 31, 2022 and 2021, the details of the accounts ,please refer to Note 6(15).

- b. For information on the credit risks regarding the construction retention receivables, please refer to Note 12(2).
- c. Joint operations
- a). The Corporation jointly contracted the port and embankment construction project of The Third Liquefied Natural Gas Terminal with PAN ASIA (ENGINEERS & CONSTRUCTORS) CO., LTD. and DREDGING INTERNATIONAL N.V. TAIWAN BRANCH (BELGIUM), in the form of joint operation. The capital contribution ratio between the Corporation and the joint contractors (respectively, PAN ASIA and DREDGING) is 40:45:15. Each of the joint contractors bears the costs incurred in proportion to its capital contribution and shares the project income and common expenses. The corporation recognizes its direct rights (and its share) to the assets, liabilities, income and expenses of the joint operation, which have been included in the applicable accounts of the financial statements.
- b). The above construction project did not pass the referendum on “Three Connections Removal” on December 18, 2021. The owner will adopt an extrapolated plan and handle the contract change, but DREDGING INTERNATIONAL N.V. TAIWAN BRANCH (BELGIUM) ceased to continue to perform the contract on December 17, 2021. Accordingly, the joint contractor ratio between the Corporation and PAN ASIA (ENGINEERS & CONSTRUCTORS) CO., LTD. changed to 47.06:52.94 from that date.
- c). The Corporation and PAN ASIA (ENGINEERS & CONSTRUCTORS) CO., LTD. jointly undertake the new project of the outer outline breakwater of Kwun Tong Receiving Station in the form of joint operation. The joint contractor ratio between the Corporation and the joint contractor is 73.83:26.17. Each of the joint contractors bears the costs incurred in proportion to its capital contribution and shares the project income and common expenses. The corporation recognizes its direct rights (and its share) to the assets, liabilities, income and expenses of the joint operation, which have been included in the applicable accounts of the financial statements.

(5) Refundable deposits

- a. The details were as follows:

|                                      | <b>2022.12.31</b> | <b>2021.12.31</b> |
|--------------------------------------|-------------------|-------------------|
| Warranty deposits                    | \$ 118,432        | \$ 59,520         |
| Contract security deposits           | 53,615            | 5,770             |
| Loans deposits                       | 7,500             | 15,000            |
| Deposit for construction in progress | 20,000            | --                |
| Other refundable deposits            | 18,091            | 15,634            |
|                                      | <b>\$ 217,638</b> | <b>\$ 95,924</b>  |
| Deposits lodged to court (Note)      | \$ --             | \$ 93,400         |
| Other refundable deposits            | 4,666             | 3,281             |
|                                      | <b>\$ 4,666</b>   | <b>\$ 96,681</b>  |

Note: The deposits include the amount lodged to Taipei District Court to petition for the provisional attachment regarding the litigation of advance payments for HWASUN ENGINEERING & CONSTRUCTION CO., LTD. Please refer to Note 9(3) for relevant information.

- b. As of December 31, 2022, the loans deposits has been pledged as collateral for Leasing Company loans. Please refer to Note 8 for relevant information.

(6) Investments accounted for using equity method

- a. The details were as follows:

| Invested Company                           | 2022.12.31        |                    | 2021.12.31        |                    |
|--------------------------------------------|-------------------|--------------------|-------------------|--------------------|
|                                            | Amount            | Shareholding Ratio | Amount            | Shareholding Ratio |
| HO CHANG INTERNATIONAL CONTRACTOR CO., LTD | \$ 215,097        | 49.00%             | \$ 189,907        | 49.00%             |
| Less: Accumulated impairment               |                   |                    | --                |                    |
|                                            | <u>\$ 215,097</u> |                    | <u>\$ 189,907</u> |                    |

- b. The details of the share of the subsidiary's profit or loss using equity method were as follows:

| Invested Company                           | For the Years Ended December 31 |           |
|--------------------------------------------|---------------------------------|-----------|
|                                            | 2022                            | 2021      |
| HO CHANG INTERNATIONAL CONTRACTOR CO., LTD | \$ 29,667                       | \$ 31,398 |

- c. As of December 31, 2022, the Company has invested 127,059 thousand dollars in HO CHANG INTERNATIONAL CONTRACTOR CO., LTD, obtaining 12,706 thousand ordinary shares of the invested company, accounting for 49% of the equity of the invested company, and has received cash dividends of 28,387 thousand dollars and share dividends of 5,033 thousand shares, increasing the holding of shares to 17,739 thousand shares.
- d. The investment profits or losses recognized using the equity method for the years ended December 31, 2022 and 2021, are calculated based on the financial statements for the identical periods of the invested company, which have been audited by independent auditors.
- e. As of December 31, 2022 and 2021, none of the investments mentioned above has been pledged as collateral.

(7) Property, plant and equipment

- a. The details of the costs, depreciation and impairment of the Corporation's Property, plant and equipment were as follows:

**Cost or deemed cost**

|                            | <b>Balance on<br/>January 1, 2022</b> | <b>Additions</b>  | <b>Disposals</b>   | <b>Reclassification<br/>and Others</b> | <b>Balance on<br/>December 31, 2022</b> |
|----------------------------|---------------------------------------|-------------------|--------------------|----------------------------------------|-----------------------------------------|
| Land                       | \$ 222,074                            | \$ --             | \$ (6,630)         | \$ --                                  | \$ 215,444                              |
| Buildings                  | 120,169                               | 33,429            | --                 | --                                     | 153,598                                 |
| Machinery                  | 482,116                               | 64,054            | (970)              | 71,610                                 | 616,810                                 |
| Miscellaneous<br>equipment | 959,181                               | 23,099            | (28,317)           | --                                     | 953,963                                 |
| Vessels                    | 497,818                               | 26,525            | --                 | 204,649                                | 728,992                                 |
| Other<br>equipment         | 212,864                               | 60,794            | (6,599)            | 15,639                                 | 282,698                                 |
|                            | <b>\$ 2,494,222</b>                   | <b>\$ 207,901</b> | <b>\$ (42,516)</b> | <b>\$ 291,898</b>                      | <b>\$ 2,951,505</b>                     |

**Accumulated depreciation**

|                            | <b>Balance on<br/>January 1, 2022</b> | <b>Additions</b>  | <b>Disposals</b>   | <b>Reclassification<br/>and Others</b> | <b>Balance on<br/>December 31, 2022</b> |
|----------------------------|---------------------------------------|-------------------|--------------------|----------------------------------------|-----------------------------------------|
| Buildings                  | \$ 1,220                              | \$ 2,146          | \$ --              | \$ --                                  | \$ 3,366                                |
| Machinery                  | 355,631                               | 25,089            | (965)              | --                                     | 379,755                                 |
| Miscellaneous<br>equipment | 509,863                               | 37,865            | (26,644)           | --                                     | 521,084                                 |
| Vessels                    | 67,427                                | 52,621            | --                 | --                                     | 120,048                                 |
| Other<br>equipment         | 105,010                               | 16,802            | (4,677)            | --                                     | 117,135                                 |
|                            | <b>\$ 1,039,151</b>                   | <b>\$ 134,523</b> | <b>\$ (32,286)</b> | <b>\$ --</b>                           | <b>\$ 1,141,388</b>                     |
| <b>Net amount</b>          | <b>\$ 1,455,071</b>                   |                   |                    |                                        | <b>\$ 1,810,117</b>                     |

**Cost or deemed cost**

|                            | <b>Balance on<br/>January 1, 2021</b> | <b>Additions</b>  | <b>Disposals</b>    | <b>Reclassification<br/>and Others</b> | <b>Balance on<br/>December 31, 2021</b> |
|----------------------------|---------------------------------------|-------------------|---------------------|----------------------------------------|-----------------------------------------|
| Land                       | \$ 6,830                              | \$ 215,244        | \$ --               | \$ --                                  | \$ 222,074                              |
| Buildings                  | 2,200                                 | 117,969           | --                  | --                                     | 120,169                                 |
| Machinery                  | 448,221                               | 22,431            | (11,735)            | 23,199                                 | 482,116                                 |
| Miscellaneous<br>equipment | 1,008,875                             | 126,117           | (237,231)           | 61,420                                 | 959,181                                 |
| Vessels                    | 487,207                               | --                | --                  | 10,611                                 | 497,818                                 |
| Other<br>equipment         | 198,297                               | 12,255            | (4,030)             | 6,342                                  | 212,864                                 |
|                            | <b>\$ 2,151,630</b>                   | <b>\$ 494,016</b> | <b>\$ (252,996)</b> | <b>\$ 101,572</b>                      | <b>\$ 2,494,222</b>                     |

### Accumulated depreciation

|                            | Balance on<br>January 1, 2021 | Additions         | Disposals           | Reclassification<br>and Others | Balance on<br>December 31, 2021 |
|----------------------------|-------------------------------|-------------------|---------------------|--------------------------------|---------------------------------|
| Buildings                  | \$ 1,181                      | \$ 39             | \$ --               | \$ --                          | \$ 1,220                        |
| Machinery                  | 350,776                       | 16,447            | (11,592)            | --                             | 355,631                         |
| Miscellaneous<br>equipment | 695,618                       | 38,505            | (224,260)           | --                             | 509,863                         |
| Vessels                    | 22,360                        | 45,067            | --                  | --                             | 67,427                          |
| Other<br>equipment         | 90,586                        | 18,370            | (3,946)             | --                             | 105,010                         |
|                            | <u>\$ 1,160,521</u>           | <u>\$ 118,428</u> | <u>\$ (239,798)</u> | <u>\$ --</u>                   | <u>\$ 1,039,151</u>             |
| <b>Net amount</b>          | <u><b>\$ 991,109</b></u>      |                   |                     |                                | <u><b>\$ 1,455,071</b></u>      |

- b. The land and buildings added in 2021 include the compensation for house division and related taxes and fees derived from the joint construction transaction with the related party, besides, The Corporation purchase parking spaces from the related party, please refer to Note 9(4) and Note 7.
- c. The building improvements were included in Building Item. The significant components of Other equipment include Transportation equipment, Furniture and fixtures, Leasehold improvements, Construction materials such as piers and molds for prestressed beams, all of which are depreciated in accordance with their useful lives. For the information on the useful lives, please refer to Note 4(8).
- d. As of December 31, 2022 and 2021, part of the property, plant and equipment has been pledged as collateral for borrowings, please refer to Note 8.

### (8) Lease agreement

#### a. Right-of-use assets

The details of the costs and depreciation of the land, buildings, machinery leased by the Corporation were as follows:

|                              | Land              | Buildings         | Machinery       | Total             |
|------------------------------|-------------------|-------------------|-----------------|-------------------|
| <b>Cost</b>                  |                   |                   |                 |                   |
| Balance on January 1, 2022   | \$ 279,409        | \$ 57,692         | \$ 6,955        | \$ 344,056        |
| Additions                    | 72,339            | 116,388           | --              | 188,727           |
| Disposals                    | (8,108)           | (9,847)           | --              | (17,955)          |
| Balance on December 31, 2022 | <u>\$ 343,640</u> | <u>\$ 164,233</u> | <u>\$ 6,955</u> | <u>\$ 514,828</u> |
| <b>Depreciation</b>          |                   |                   |                 |                   |
| Balance on January 1, 2022   | \$ 161,290        | \$ 40,909         | \$ 4,244        | \$ 206,443        |
| Recognition                  | 70,363            | 19,240            | 1,415           | 91,018            |
| Derecognition                | (8,108)           | (9,391)           | --              | (17,499)          |
| Balance on December 31, 2022 | <u>\$ 223,545</u> | <u>\$ 50,758</u>  | <u>\$ 5,659</u> | <u>\$ 279,962</u> |

|                        | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Total</u> |
|------------------------|-------------|------------------|------------------|--------------|
| <b>Carrying amount</b> |             |                  |                  |              |
| December 31, 2022      | \$ 120,095  | \$ 113,475       | \$ 1,296         | \$ 234,866   |

|                              | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Total</u> |
|------------------------------|-------------|------------------|------------------|--------------|
| <b>Cost</b>                  |             |                  |                  |              |
| Balance on January 1, 2021   | \$ 235,446  | \$ 45,632        | \$ 6,955         | \$ 288,033   |
| Additions                    | 43,963      | 12,060           | --               | 56,023       |
| Disposals                    | --          | --               | --               | --           |
| Balance on December 31, 2021 | \$ 279,409  | \$ 57,692        | \$ 6,955         | \$ 344,056   |

|                              |            |           |          |            |
|------------------------------|------------|-----------|----------|------------|
| <b>Depreciation</b>          |            |           |          |            |
| Balance on January 1, 2021   | \$ 90,224  | \$ 25,718 | \$ 2,829 | \$ 118,771 |
| Recognition                  | 71,066     | 15,191    | 1,415    | 87,672     |
| Derecognition                | --         | --        | --       | --         |
| Balance on December 31, 2021 | \$ 161,290 | \$ 40,909 | \$ 4,244 | \$ 206,443 |

|                        |            |           |          |            |
|------------------------|------------|-----------|----------|------------|
| <b>Carrying amount</b> |            |           |          |            |
| December 31, 2021      | \$ 118,119 | \$ 16,783 | \$ 2,711 | \$ 137,613 |

b. Lease liabilities

The lease liabilities of the Corporation were as follows:

|                    | <u>December 31, 2022</u> |                  |                         |
|--------------------|--------------------------|------------------|-------------------------|
|                    | <u>Future</u>            | <u>Interest</u>  | <u>Present Value of</u> |
|                    | <u>Minimum</u>           |                  | <u>Minimum Lease</u>    |
|                    | <u>Lease Payments</u>    |                  | <u>Payments</u>         |
| Within 1 year      | \$ 76,277                | \$ 5,950         | \$ 70,327               |
| 1 – 5 years        | 88,082                   | 14,657           | 73,425                  |
| Later than 5 years | 105,534                  | 11,633           | 93,901                  |
|                    | <u>\$ 269,893</u>        | <u>\$ 32,240</u> | <u>\$ 237,653</u>       |
| <b>Current</b>     | <u>\$ 76,277</u>         | <u>\$ 5,950</u>  | <u>\$ 70,327</u>        |
| <b>Non-current</b> | <u>\$ 193,616</u>        | <u>\$ 26,290</u> | <u>\$ 167,326</u>       |

|                    | December 31, 2021                   |                 |                                               |
|--------------------|-------------------------------------|-----------------|-----------------------------------------------|
|                    | Future<br>Minimum<br>Lease Payments | Interest        | Present Value of<br>Minimum Lease<br>Payments |
| Within 1 year      | \$ 79,496                           | \$ 3,116        | \$ 76,380                                     |
| 1 - 5 years        | 65,584                              | 1,326           | 64,258                                        |
| Later than 5 years | --                                  | --              | --                                            |
|                    | <u>\$ 145,080</u>                   | <u>\$ 4,442</u> | <u>\$ 140,638</u>                             |
| <b>Current</b>     | <u>\$ 79,496</u>                    | <u>\$ 3,116</u> | <u>\$ 76,380</u>                              |
| <b>Non-current</b> | <u>\$ 65,584</u>                    | <u>\$ 1,326</u> | <u>\$ 64,258</u>                              |

The amount recognized in profit or loss was as follows:

|                                                                                | For the Years Ended December 31 |          |
|--------------------------------------------------------------------------------|---------------------------------|----------|
|                                                                                | 2022                            | 2021     |
| Interest expense of lease liabilities                                          | \$ 4,077                        | \$ 4,747 |
| Expenses relating to short-term leases                                         | \$ 2,084                        | \$ 5,518 |
| Expenses relating to low-value asset<br>leases (excluding the short-term ones) | \$ 2,769                        | \$ 4,188 |

The amount recognized in statements of cash flows was as follows:

|                               | For the Years Ended December 31 |            |
|-------------------------------|---------------------------------|------------|
|                               | 2022                            | 2021       |
| Total cash outflow for leases | \$ 100,166                      | \$ 102,132 |

The intervals of the discount rates of the lease liabilities were as follows:

|           | December 31, 2022 | December 31, 2021 |
|-----------|-------------------|-------------------|
| Land      | 2.71% ~ 3.08%     | 2.64% ~ 3.08%     |
| Buildings | 2.73% ~ 3.08%     | 2.73% ~ 3.08%     |
| Machinery | 3.08%             | 3.08%             |

c. Significant leasing activities and terms

The Corporation leases a number of land, buildings and machinery for the operating of offices, branches, staff dormitories and storage yards, and the lease terms for these assets range from 1 to 15 years. Upon the lease maturity date, the Corporation does not possess the rights of first refusal for these assets.

d. Others

Part of the office equipment leased by the Corporation is classified as short-term leases, whose terms are within 1 year, or low-value asset leases. For these leases, The Corporation has elected to apply the recognition exemption, and thus did not recognize right-of-use assets and lease liabilities for these leases.

(9) Investment properties-net

- a. The details of the costs, depreciation and impairment of the Corporation's Investment properties were as follows:

Cost or deem cost :

|                                                 | Balance on<br>January 1, 2022 | Additions       | Disposals    | Reclassification<br>and Others | Balance on<br>December 31, 2022 |
|-------------------------------------------------|-------------------------------|-----------------|--------------|--------------------------------|---------------------------------|
| Land                                            | \$ 200,801                    | \$ --           | \$ --        | \$ --                          | \$ 200,801                      |
| Buildings                                       | 109,970                       | --              | --           | --                             | 109,970                         |
| 2022.12.31                                      | <u>\$ 310,771</u>             | <u>\$ --</u>    | <u>\$ --</u> | <u>\$ --</u>                   | <u>\$ 310,771</u>               |
| Accumulated<br>depreciation and<br>impairment : |                               |                 |              |                                |                                 |
| Buildings                                       | \$ --                         | \$ 1,963        | \$ --        | \$ --                          | \$ 1,963                        |
| 2022.12.31                                      | <u>\$ --</u>                  | <u>\$ 1,963</u> | <u>\$ --</u> | <u>\$ --</u>                   | <u>\$ 1,963</u>                 |
| Net                                             | <u>\$ 310,771</u>             |                 |              |                                | <u>\$ 308,808</u>               |

Cost or deem cost :

|                                                 | Balance on<br>January 1, 2021 | Additions         | Disposals    | Reclassification<br>n and Others | Balance on<br>December 31, 2021 |
|-------------------------------------------------|-------------------------------|-------------------|--------------|----------------------------------|---------------------------------|
| Land                                            | \$ --                         | \$ 200,801        | \$ --        | \$ --                            | \$ 200,801                      |
| Buildings                                       | --                            | 109,970           | --           | --                               | 109,970                         |
| 2021.12.31                                      | <u>\$ --</u>                  | <u>\$ 310,771</u> | <u>\$ --</u> | <u>\$ --</u>                     | <u>\$ 310,771</u>               |
| Accumulated<br>depreciation and<br>impairment : |                               |                   |              |                                  |                                 |
| Buildings                                       | \$ --                         | \$ --             | \$ --        | \$ --                            | \$ --                           |
| 2021.12.31                                      | <u>\$ --</u>                  | <u>\$ --</u>      | <u>\$ --</u> | <u>\$ --</u>                     | <u>\$ --</u>                    |
| Net                                             | <u>\$ --</u>                  |                   |              |                                  | <u>\$ 310,771</u>               |

- b. The land and buildings added in 2021 include the compensation for house division and related taxes and fees derived from the joint construction transaction with the related party, besides, The Corporation purchase parking spaces from the related party, please refer to Note 9(4) and Note 7.
- c. Investment properties is not measured at fair value, but only discloses information about its fair value. The land and buildings added in 2021 has been subdivided and traded at a fair value of 308,840 thousand dollars; and as of December 31, 2022 the fair value of Investment properties was 324,157 thousand dollars which is based on the evaluation results using the comparison method and the income method. of independent evaluation experts.
- d. Rental benefit:

|                                                                               | <b>For the Years Ended December 31</b> |              |
|-------------------------------------------------------------------------------|----------------------------------------|--------------|
|                                                                               | <b>2022</b>                            | <b>2021</b>  |
| Rental Income                                                                 | \$ 947                                 | \$ --        |
| Direct operating expenses-- rental income generated in the current period     | (402)                                  | --           |
| Direct operating expenses--None rental income generated in the current period | (1,561)                                | --           |
| NET                                                                           | <u>\$ (1,016)</u>                      | <u>\$ --</u> |

The above-mentioned rental income has been included in other income in the Statements of Comprehensive Income.

- e. Collateral

As of December 31, 2022 and 2021 , the investments properities has been pledged as collateral, please refer to Note 8.

(10) Financial liabilities and loans

- a. The details on the amount, terms and provisions of the loans were as follows:

|                                  | <b>December 31, 2022</b>      |                         |                            |
|----------------------------------|-------------------------------|-------------------------|----------------------------|
|                                  | <b>Interest Rate Interval</b> | <b>Year of Maturity</b> | <b>Amount</b>              |
| Collateralized loans             | 1.80% ~ 4.005%                | 2023                    | \$ 1,300,293               |
| Non- collateralized loans        | 2.64% ~ 3.125%                | 2023 ~ 2027             | 505,250                    |
| Leasing Company Guaranteed loans | 3.20% ~ 3.50%                 | 2023 ~ 2024             | 109,481                    |
|                                  |                               |                         | <u><u>\$ 1,915,024</u></u> |

Recognized as:

|                                           |           |                  |
|-------------------------------------------|-----------|------------------|
| Current                                   |           |                  |
| Short-term loans                          | \$        | 1,805,543        |
| Long-term notes payable - current portion |           | 78,626           |
| Non-current                               |           |                  |
| Long-term notes payable                   |           | 30,855           |
|                                           | <b>\$</b> | <b>1,915,024</b> |

|                           | December 31, 2021 |             |                     |
|---------------------------|-------------------|-------------|---------------------|
|                           | Interest Rate     | Year of     | Amount              |
|                           | Interval          | Maturity    |                     |
| Collateralized loans      | 1.90% ~ 3.48%     | 2022 ~ 2023 | \$ 429,797          |
| Non- collateralized loans | 2.54% ~ 2.80%     | 2023 ~ 2027 | 880,540             |
| Leasing Company           | 3.20% ~ 3.50%     | 2023 ~ 2024 | 188,154             |
| Guaranteed loans          |                   |             |                     |
|                           |                   |             | <b>\$ 1,498,491</b> |

Recognized as:

|                                           |           |                  |
|-------------------------------------------|-----------|------------------|
| Current                                   |           |                  |
| Short-term loans                          | \$        | 1,310,337        |
| Long-term notes payable - current portion |           | 78,673           |
| Non-current                               |           |                  |
| Long-term notes payable                   |           | 109,481          |
|                                           | <b>\$</b> | <b>1,498,491</b> |

- b. Due to the need for construction guarantees and operating funds, the Corporation entered a joint credit contract arranged by Mega bank in April, 2020, which is for the guarantee of contract security, guarantee of advance payments and mid-term loans, with the amounts limited to 440,000, 810,000 and 400,000 thousand dollars, respectively.

Within the duration of this case, the Corporation shall maintain the following financial indicators, which are reported in the annual and semiannual financial statements verified/audited by the auditors:

- a) Current ratio  $\geq 100\%$
- b) Debt ratio  $\leq 250\%$
- c) Time interest earned  $\geq 2$
- d) Total equity  $> 1,900,000$  thousand dollars

The financial indicators mentioned above are reviewed semiannually. If any of the indicators fails to meet the corresponding requirement, the interest rates will increase by 0.1% from the day after the end of the reporting period to the day before the requirement is met again. As of December 31, 2022, part of the financial indicators of the Corporation did not meet the requirements; therefore, the Corporation will pay for the guarantee fees of 1,823 thousand .

- c. In May 2012, due to the need for working capital, the Corporation signed a loan contract with the Land Bank, with an amount of 100,000 thousand dollars. The Corporation made a written commitment to ensure that its related matters such as environmental protection, pollution prevention, and waste disposal were in compliance with relevant laws and regulations at all times. During the continuation of this case, if any violation of the above-mentioned relevant laws and regulations (based on the Corporation 's listed pollution projects listed on the website of the Environmental Protection Administration), the interest rate of the loan should be increased by 0.01%.
- d. The details of notes payable of the leasing loans were as follows:

| 2022.12.31             |                       |               |          |           |
|------------------------|-----------------------|---------------|----------|-----------|
| Item                   | Notes Period          | Notes Payable | Discount | Net       |
| Guaranteed loans       | 2021.12.27~2023.12.27 | \$ 38,460     | \$ 503   | \$ 37,957 |
| Repurchase after sale  | 2021.10.20~2024.10.20 | 32,087        | 962      | 31,125    |
| Repurchase after sale  | 2021.10.05~2024.10.05 | 41,680        | 1,281    | 40,399    |
|                        |                       | 112,227       | 2,746    | 109,481   |
| Less : current portion |                       | (80,902)      | (2,276)  | (78,626)  |
| Net                    |                       | \$ 31,325     | \$ 470   | \$ 30,855 |

| 2021.12.31            |                       |               |          |           |
|-----------------------|-----------------------|---------------|----------|-----------|
| Item                  | Notes Period          | Notes Payable | Discount | Net       |
| Guaranteed loans      | 2021.12.27~2023.12.27 | \$ 76,920     | \$ 1,920 | \$ 75,000 |
| Repurchase after sale | 2021.10.20~2024.10.20 | 49,589        | 2,238    | 47,351    |
| Repurchase after sale | 2021.10.05~2024.10.05 | 68,980        | 3,177    | 65,803    |
|                       |                       | 195,489       | 7,335    | 188,154   |

|                        |                   |                 |                   |
|------------------------|-------------------|-----------------|-------------------|
| Less : current portion | (83,262)          | (4,589)         | (78,673)          |
| Net                    | <u>\$ 112,227</u> | <u>\$ 2,746</u> | <u>\$ 109,481</u> |

e. For the information on the Corporation's exposures to interest rate and liquidity risk, please refer to Note 12(2). For the information on the pledged assets, please refer to Note 8.

f. As of December 31, 2022 and 2021, the loan quotas yet to be used by the Corporation are 1,825,139 and 1,737,155 thousand dollars, respectively.

(11) Other payables

The details were as follows:

|                                                                | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------------------------------------------|--------------------------|--------------------------|
| Accrued salaries expense                                       | \$ 176,901               | \$ 134,850               |
| Remuneration of employees                                      | 5,229                    | --                       |
| Remuneration of directors<br>and supervisors                   | 4,046                    | 560                      |
| Accrued interest expense                                       | 3,499                    | 2,131                    |
| Accounts payable for equipment                                 | 96,510                   | 36,118                   |
| Other notes payable-related<br>parties(note 7 and note 9 (4) ) | --                       | 48,387                   |
| Sales tax payable                                              | 9,871                    | 40,923                   |
| Insurance payable                                              | 12,585                   | 10,405                   |
| Accounts payable for repair and<br>maintenance fees            | 6,427                    | 7,345                    |
| Accounts payable for<br>professional fees                      | 5,485                    | 8,166                    |
| Others                                                         | 57,471                   | 55,618                   |
|                                                                | <u>\$ 378,024</u>        | <u>\$ 344,503</u>        |

(12) Provision

a. The details were as follows:

|                                                 | <u>For the Years Ended December 31</u> |                  |
|-------------------------------------------------|----------------------------------------|------------------|
|                                                 | <u>2022</u>                            | <u>2021</u>      |
| Balance on January 1, 2022                      | \$ 48,382                              | \$ --            |
| Additional provisions for the<br>current period | (24,636)                               | 48,382           |
| Balance on December 31, 2022                    | <u>\$ 23,746</u>                       | <u>\$ 48,382</u> |

- b. The Corporation adopted the IFRS 15 for onerous contracts, when the future payment exceed the revenue expected to be earned , the provision for onerous contracts should be evaluate according to IAS37”Provisions, Contingent Liabilities and Contingent Assets”.

(13) Retirement benefit plans

a) Defined benefit plan

- a) The Corporation adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service (base number) and the average monthly salaries of the six months before retirement. The Corporation contributed an amount equal to 4% of salaries and wages paid each month to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. In addition, the contribution rate has been increased from 4% to 8% since October, 2018.
- b) The expenses regarding defined benefit plans for the year ended December 31, 2022 and 2021, are recognized as Administrative expenses and Operating costs, the details of which were as follows:

|                         | For the Years Ended December 31 |               |
|-------------------------|---------------------------------|---------------|
|                         | 2022                            | 2021          |
| Operating costs         | \$ 182                          | \$ 359        |
| Administrative expenses | 271                             | 328           |
|                         | <u>\$ 453</u>                   | <u>\$ 687</u> |

- c) The amount of remeasurement of net defined benefit liabilities (assets) recognized in other comprehensive income was as follows:

|                                                           | 2022               | 2021               |
|-----------------------------------------------------------|--------------------|--------------------|
| Balance on January 1                                      | \$ (64,851)        | \$ (54,520)        |
| Remeasurement of Net defined benefit liabilities (assets) | (2,193)            | (10,331)           |
| Balance on December 31                                    | <u>\$ (67,044)</u> | <u>\$ (64,851)</u> |

- d) The reconciliation of the present value of Defined benefit obligation and the fair value of plan assets was as follows:

|                                             | 2022.12.31 | 2021.12.31 |
|---------------------------------------------|------------|------------|
| Present value of defined benefit obligation | \$ 127,301 | \$ 120,135 |
| Fair value of plan assets                   | (75,463)   | (51,881)   |
|                                             | 51,838     | 68,254     |
| Unrecognized prior service costs            | --         | --         |
| Net amount                                  | \$ 51,838  | \$ 68,254  |
| <b>Amount recognized as defined benefit</b> |            |            |
| <b>Assets</b>                               | \$ --      | \$ --      |
| <b>Amount recognized as defined benefit</b> |            |            |
| <b>liabilities</b>                          | \$ 51,838  | \$ 68,254  |

The details of the present value of Defined benefit obligation were as follows:

|                                                            | <b>For the Years Ended</b> |                   |
|------------------------------------------------------------|----------------------------|-------------------|
|                                                            | <b>December 31</b>         |                   |
|                                                            | <b>2022</b>                | <b>2021</b>       |
| Balance on January 1                                       | \$ 120,135                 | \$ 116,826        |
| Current service cost                                       | 130                        | 503               |
| Net interest expense                                       | 485                        | 271               |
| Remeasurement of net defined benefit liabilities (assets)  |                            |                   |
| Actuarial (gain) loss - changes in financial assumptions   | (4,467)                    | (1,717)           |
| Actuarial (gain) loss - changes in demographic assumptions | --                         | --                |
| Actuarial (gain) loss - experience adjustments             | 11,018                     | 12,858            |
| Payments for defined benefit obligation                    |                            |                   |
| Paid by the Corporation                                    | --                         | (360)             |
| Paid from plan assets                                      | --                         | (8,246)           |
| <b>Balance on December 31</b>                              | <b>\$ 127,301</b>          | <b>\$ 120,135</b> |

The details of the fair value of the plan assets were as follows:

|                                 | For the Years Ended December 31 |                  |
|---------------------------------|---------------------------------|------------------|
|                                 | 2022                            | 2021             |
| Balance on January 1            | \$ 51,881                       | \$ 51,869        |
| Interest income                 | 161                             | 87               |
| Return (loss) on plan assets    | 4,358                           | 810              |
| Contributions from the employer | 19,063                          | 7,361            |
| Benefits paid                   | --                              | (8,246)          |
| Balance on December 31          | <u>\$ 75,463</u>                | <u>\$ 51,881</u> |

- e) As of December 31, 2022, the Corporation plans to contribute 12,244 thousand dollars to the defined benefit plans by the end of 2023.
- f) The weighted-average duration of the defined benefit obligation was as follows:

| <u>2022.12.31</u> | <u>2021.12.31</u> |
|-------------------|-------------------|
| <u>7.95 years</u> | <u>8.77 years</u> |

- g) The major classes of the plan assets and the proportion of their fair values to the plan assets' total fair value are stated as follows:

|                                                                              | <u>2022.12.31</u> | <u>2021.12.31</u> |
|------------------------------------------------------------------------------|-------------------|-------------------|
| Cash                                                                         | 16.00             | 18.00             |
| Short-term notes                                                             | 4.00              | 5.00              |
| Government bonds, bank debentures,<br>corporate bonds and securitized assets | 6.00              | 6.00              |
| Money market funds                                                           | 0.00              | 0.00              |
| Stocks and beneficiary certificates<br>(including futures)                   | 13.00             | 9.00              |
| Foreign investments                                                          | 11.00             | 12.00             |
| Domestic outsourcing                                                         | 10.00             | 10.00             |
| Foreign outsourcing                                                          | 40.00             | 40.00             |
|                                                                              | <u>100.00</u>     | <u>100.00</u>     |

The actual returns on the plan assets in 2022 and 2021 were 4,519 and 897 thousand dollars, respectively. The employee pension fund is entirely deposited in the Bank of Taiwan's trust department. The expected rate of return of the plan assets is determined mainly based on the actuary's estimation of the yield to maturity of government bond within the duration of the defined benefit obligation, taking into consideration the trends of historical return, the prediction of the market where the assets are invested, the details of how the pension fund monitoring committee

manages the pension fund, and the lower bound of return rate, which is the two-year time deposit rates of the local banks.

Actuarial assumptions:

|                                         | <u>2022.12.31</u> | <u>2021.12.31</u> |
|-----------------------------------------|-------------------|-------------------|
| Discount rate                           | 1.25%             | 0.55%             |
| Future expected rate of salary increase | 2.00%             | 2.00%             |

Changes of 0.25% in the discount rate will lead to the following impacts on the defined benefit obligation:

|                                      | <u>For the Years Ended December 31</u> |                 |                 |                 |
|--------------------------------------|----------------------------------------|-----------------|-----------------|-----------------|
|                                      | <u>2022</u>                            |                 | <u>2021</u>     |                 |
|                                      | <u>Increase</u>                        | <u>Decrease</u> | <u>Increase</u> | <u>Decrease</u> |
| Impact on defined benefit obligation | \$ 1,513                               | \$ 1,555        | \$ 1,665        | \$ 1,717        |

Changes of 0.25% in the rate of salary increase will lead to the following impacts on the defined benefit obligation:

|                                      | <u>For the Years Ended December 31</u> |                 |                 |                 |
|--------------------------------------|----------------------------------------|-----------------|-----------------|-----------------|
|                                      | <u>2022</u>                            |                 | <u>2021</u>     |                 |
|                                      | <u>Increase</u>                        | <u>Decrease</u> | <u>Increase</u> | <u>Decrease</u> |
| Impact on defined benefit obligation | \$ 1,580                               | \$ 1,545        | \$ 1,721        | \$ 1,677        |

h) The historical information on the experience adjustments was as follows:

|                                                                                  | <u>2022.12.31</u> | <u>2021.12.31</u> |
|----------------------------------------------------------------------------------|-------------------|-------------------|
| Present value of defined benefit obligation at the end of the period             | \$ 127,301        | \$ 120,135        |
| Fair value of plan assets at the end of the period                               | (75,463)          | (51,881)          |
| Deficit of the defined benefit plan at the end of the period                     | <u>\$ 51,838</u>  | <u>\$ 68,254</u>  |
| Actuarial gains or losses on defined benefit obligation arising from experience  | <u>\$ 11,018</u>  | <u>\$ 12,858</u>  |
| Actuarial gains or losses on changes in assumption of defined benefit obligation |                   |                   |
| Actuarial gains or losses on changes in financial assumptions                    | <u>\$ (4,467)</u> | <u>\$ (1,717)</u> |
| Experience gains or losses on plan assets                                        | <u>\$ 4,358</u>   | <u>\$ 810</u>     |

b) Defined contribution plan

The Corporation adopted the pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. According to the LPA, the Corporation is obliged to contribute an amount no less than 6% of the salaries of employees to the labor pension accounts. The Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages, in compliance with the LPA.

The details of the amounts recognized as the expenses of defined contribution plan by the Corporation were as follows:

| For the Years Ended December 31 |                  |           |               |
|---------------------------------|------------------|-----------|---------------|
|                                 | 2022             |           | 2021          |
| Operating costs                 | \$ 22,376        | \$        | 20,750        |
| Administrative expenses         | 3,517            |           | 2,890         |
|                                 | <b>\$ 25,893</b> | <b>\$</b> | <b>23,640</b> |

(14) Equity

a. Ordinary shares (Amounts in NT\$)

- a) As of December 31, 2022 and 2021, the total authorized capital stock of the Corporation is NT\$3,000,000,000, and the total paid-in capital amounts to NT\$2,374,837,880, respectively. Every share is entitled to the right to vote and to receive dividends.
- b) Due to the fact that the Corporation's treasury shares were overdue and failed to transfer to employees, the cancellation was approved by the board of directors on August 11, 2021. The base date for capital reduction was August 11, 2021, and change registration was approved by the Ministry of Economic Affairs, Department of Commerce on September 2, 2021.
- c) As of December 31, 2022, each capital increase of the Corporation over the years has been approved and registered by the competent authority. The relevant information on the sources of funding was as follows:

|                                                      | Amount (NT\$)           |
|------------------------------------------------------|-------------------------|
| Registered capital upon establishment                | \$ 24,000,000           |
| Capital increase in cash                             | 1,035,000,000           |
| Capital increase by retained earnings capitalization | 934,526,570             |
| Capital transferred from capital surplus             | 103,652,700             |
| Conversion of convertible bonds                      | 344,868,610             |
| Capital reduction by retirement of treasury stock    | (67,210,000)            |
|                                                      | <b>\$ 2,374,837,880</b> |

b. Capital surplus

|                                           | Conversion of<br>Convertible<br>Bonds | Treasury<br>Stock<br>Transactions | Expired<br>Stock<br>Warrants | Others          |
|-------------------------------------------|---------------------------------------|-----------------------------------|------------------------------|-----------------|
| Balance on<br>January 1, 2022             | \$ 19,752                             | \$ 12,099                         | \$ 4,527                     | \$ 1,323        |
| Transfer of capital<br>surplus to capital | --                                    | --                                | --                           | --              |
| Cash distributed from<br>capital surplus  | --                                    | --                                | --                           | --              |
| <b>Balance on<br/>December 31, 2022</b>   | <b>\$ 19,752</b>                      | <b>\$ 12,099</b>                  | <b>\$ 4,527</b>              | <b>\$ 1,323</b> |

|                                           | Conversion of<br>Convertible<br>Bonds | Treasury<br>Stock<br>Transactions | Expired<br>Stock<br>Warrants | Others          |
|-------------------------------------------|---------------------------------------|-----------------------------------|------------------------------|-----------------|
| Balance on<br>January 1, 2021             | \$ 19,752                             | \$ 11,485                         | \$ 4,527                     | \$ 1,323        |
| Transfer of capital<br>surplus to capital | --                                    | --                                | --                           | --              |
| Cash distributed from<br>capital surplus  | --                                    | --                                | --                           | --              |
| Treasury shares<br>overdue                | --                                    | 614                               | --                           | --              |
| <b>Balance on<br/>December 31, 2021</b>   | <b>\$ 19,752</b>                      | <b>\$ 12,099</b>                  | <b>\$ 4,527</b>              | <b>\$ 1,323</b> |

Under Company Act, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or stock dividends in proportion to each shareholder's shareholding ratio. Moreover, according to the Securities and Exchange Act, the amount of capital surplus transferred to capital must not exceed 10% of the paid-in capital each year. The capital surplus shall not be used for recovery of deficit of the capital, unless the earned surplus reserve has been fully used for the recovery of deficit.

c. Distribution of profits

- a) According to the Corporation's Articles of Incorporation, when allocating earnings, the Corporation shall first estimate and reserve the taxes to be paid, offset its accumulated losses, and set aside a legal capital reserve at 10% of the remaining earnings (until the accumulated legal capital

reserve equals the Corporation's paid-in capital, in which case the remainder is recognized as special capital reserve according to relevant laws). The remaining amount, combined with the accumulated unappropriated earnings, will be distributed as dividends and bonuses to shareholders, for which the board of directors shall propose a profit-distribution plan and submit to the shareholders' meeting for resolution. The industry to which the Corporation belongs is a well-developed and stable industry, so the dividend policy shall take into consideration the demand for investment funds, the Corporation's financial structure and earnings, and the principle that cash dividends shall not be lower than 20% of total dividends. For the policies regarding the distribution of employees' compensation and remuneration of directors and supervisors, please refer Note 6(17).

- b) Regarding the recovery of the loss incurred for the year ended December 31, 2021, the shareholders' meeting passed the resolution, on June 21, 2022, that no dividend will be distributed.
- c) Regarding the recovery of the loss incurred for the year ended December 31, 2020, the shareholders' meeting passed the resolution, on August 27, 2021, that no dividend will be distributed.
- d) For the information on the profit-distribution plan proposed by the board of directors and the corresponding resolution of the shareholders' meeting, please visit the Market Observation Post System (MOPS), the information-disclosing website launched by Taiwan Stock Exchange (TWSE).

d. Treasury stock

- a) To maintain the corporation's credit and the shareholders' rights and interests, the board of directors has passed the resolution, on March 29, 2016, to buy back 2,500 thousand ordinary shares of the Corporation at TWSE, from March 30 to May 29, 2016, at prices within the interval between 6 and 12.5 NT\$ per share. By the end of the buyback period, the Corporation had fully accomplished the plan, at 23,372 thousand.
- b) To maintain the corporation's credit and the shareholders' rights and interests, the board of directors has passed the resolution, on June 4, 2016, to buy back 2,000 thousand ordinary shares of the Corporation at TWSE, from June 6 to August 5, 2016, at prices within the interval between 8.6 and 12.5 NT\$ per share. By the end of the buyback period, the Corporation had fully accomplished the plan, at 21,014 thousand.
- c) Under the Securities and Exchange Act, the Corporation shall not exercise shareholders' rights, such as the rights to receive dividends and to vote, on the treasury shares until these shares are transferred to a third party.
- d) Due to the fact that the Corporation 's treasury shares were overdue and failed to transfer to employees, the cancellation was made on August 11, 2021.

(15) Operating revenue

a. The details were as follows:

|                               | For the Years Ended December 31 |              |
|-------------------------------|---------------------------------|--------------|
|                               | 2022                            | 2021         |
| Construction contract revenue | \$ 7,829,974                    | \$ 7,270,865 |

b. The relevant information on revenues from contracts was as follows:

a) Classified by the timing of revenue recognition

| Construction contract revenue  | For the Years Ended December 31 |                     |
|--------------------------------|---------------------------------|---------------------|
|                                | 2022                            | 2021                |
| At a specific point in time    | \$ --                           | \$ --               |
| Gradually recognized over time | 7,829,974                       | 7,270,865           |
|                                | <u>\$ 7,829,974</u>             | <u>\$ 7,270,865</u> |

b) Contract balances

|                                               | For the Years Ended December 31 |                     |
|-----------------------------------------------|---------------------------------|---------------------|
|                                               | 2022                            | 2021                |
| Construction contract receivables (Note 6(3)) | \$ 1,187,225                    | \$ 1,328,097        |
| Contract assets - current                     |                                 |                     |
| Construction retention receivable             | \$ 781,814                      | \$ 773,162          |
| Construction contract receivables             | 1,843,312                       | 1,952,105           |
|                                               | <u>\$ 2,625,126</u>             | <u>\$ 2,725,267</u> |
| Contract liabilities - current                |                                 |                     |
| Construction contract payables                | \$ 4,045,156                    | \$ 401,051          |

I. Contract assets – current

|                        | Opening<br>Balance | Ending<br>Balance | Difference   |
|------------------------|--------------------|-------------------|--------------|
| Construction contracts | \$ 2,725,267       | \$ 2,625,126      | \$ (100,141) |

II. Contract liabilities – current

|                        | Opening<br>Balance | Ending<br>Balance | Difference   |
|------------------------|--------------------|-------------------|--------------|
| Construction contracts | \$ 401,051         | \$ 4,045,156      | \$ 3,644,105 |

- (I) The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Corporation's satisfaction of performance obligations (namely, the recognition of revenue, including the recognized costs and profits (losses)) and the customer's corresponding payment. Since the Corporation has obtain the unconditional right to receive part of the contract consideration on the balance sheet date, the contract assets and liabilities for the fiscal year 2022 decrease and increase, respectively.
- (II) The Corporation recognized 7,829,974 thousand dollars of construction contract revenue, since it has satisfied the contract obligations.
- (III) Contract consideration allocated to contract obligations yet to be fulfilled: As of December 31, 2022, the total transaction price of the Company's outstanding performance obligations was 45,963,937 thousand, which will be gradually recognized as revenue with the completion of construction projects such as bridges, MRT, and social housing. It was completed from 2023 to 2031.

(16) Non-operating income and expense

a. Interest income

|                           | For the Years Ended December 31 |        |
|---------------------------|---------------------------------|--------|
|                           | 2022                            | 2021   |
| Interest on bank deposits | \$ 6,251                        | \$ 688 |

b. Other income

|                                                    | For the Years Ended December 31 |                 |
|----------------------------------------------------|---------------------------------|-----------------|
|                                                    | 2022                            | 2021            |
| Other income - claims and dispute mediation (Note) | \$ 5,147                        | \$ 2            |
| Other income - transfers from waived debts         | 5,663                           | 4,494           |
| Rental income(Note 7)                              | 947                             | --              |
| Other income - others                              | 2,534                           | 1,948           |
|                                                    | <b>\$ 14,291</b>                | <b>\$ 6,444</b> |

Note: It is the net amount after deducting the subcontractor's payment for the dispute mediation fund for the CF640 section bid project of the circular line.

c. Other gains and losses

|                                                                       | For the Years Ended |                 |
|-----------------------------------------------------------------------|---------------------|-----------------|
|                                                                       | December 31         |                 |
|                                                                       | 2022                | 2021            |
| Gain on disposal and retirement of property, plant and equipment, net | \$ (72)             | \$ 6,423        |
| Gain on foreign exchange, net                                         | 421                 | --              |
| Lease Modification Benefit                                            | 20                  | --              |
| Depreciation expense of Investment properties                         | (1,963)             | --              |
| Others                                                                | (3,818)             | --              |
|                                                                       | <u>\$ (5,412)</u>   | <u>\$ 6,423</u> |

d. Finance costs

|                     | For the Years Ended December 31 |                  |
|---------------------|---------------------------------|------------------|
|                     | 2022                            | 2021             |
| Interest expense    |                                 |                  |
| Bank loans          | \$ 58,925                       | \$ 46,425        |
| Lease liabilities   | 4,077                           | 4,747            |
| Other finance costs | 505                             | 394              |
|                     | <u>\$ 63,507</u>                | <u>\$ 51,566</u> |

(17) Employee benefits, depreciation, depletion and amortization expenses

a. The details were as follows:

|                                  | For the Year Ended December 31, 2022 |                                    |                     |
|----------------------------------|--------------------------------------|------------------------------------|---------------------|
|                                  | Attributable to Operating Costs      | Attributable to Operating Expenses | Total               |
|                                  |                                      |                                    |                     |
| Employee benefits expense        |                                      |                                    |                     |
| Salary expense                   | \$ 627,035                           | \$ 88,909                          | \$ 715,944          |
| Labor & health insurance expense | 60,652                               | 9,256                              | 69,908              |
| Pension expense                  | 22,558                               | 3,788                              | 26,346              |
| Director's Remuneration          | --                                   | 7,297                              | 7,297               |
| Other employee benefit expense   | 79,847                               | 3,499                              | 83,346              |
|                                  | <u>790,092</u>                       | <u>112,749</u>                     | <u>902,841</u>      |
| Depreciation expense             | 204,331                              | 21,210                             | 225,541             |
| Amortization expense             | 278                                  | 372                                | 650                 |
|                                  | <u>\$ 994,701</u>                    | <u>\$ 134,331</u>                  | <u>\$ 1,129,032</u> |

|                                  | For the Year Ended December 31, 2021 |                       |                   |
|----------------------------------|--------------------------------------|-----------------------|-------------------|
|                                  | Attributable                         | Attributable          | Total             |
|                                  | to Operating Costs                   | to Operating Expenses |                   |
| Employee benefits expense        |                                      |                       |                   |
| Salary expense                   | \$ 553,953                           | \$ 65,741             | \$ 619,694        |
| Labor & health insurance expense | 57,470                               | 8,144                 | 65,614            |
| Pension expense                  | 21,109                               | 3,218                 | 24,327            |
| Director's Remuneration          | --                                   | 2,252                 | 2,252             |
| Other employee benefit expense   | 75,180                               | 2,664                 | 77,844            |
|                                  | 707,712                              | 82,019                | 789,731           |
| Depreciation expense             | 191,301                              | 14,799                | 206,100           |
| Amortization expense             | 279                                  | 235                   | 514               |
|                                  | <u>\$ 899,292</u>                    | <u>\$ 97,053</u>      | <u>\$ 996,345</u> |

- b. As of December 31, 2022 and 2021, the total numbers of employees are respectively 1,048 and 967 (including foreign workers), and the numbers of directors who do not concurrently work as an employee are 6 and 6.
- c. The Corporation's average employee welfare expenses in 2022 and 2021 were 866 thousand and 822 thousand respectively. The Corporation's 2022 and 2021 average staff salary costs were 687 and 645 thousand respectively. The Corporation's average salary adjustment for employees increased by 6.51% in 2022.
- d. The Corporation has set up an audit committee to replace the supervisor, so the supervisor's remuneration in 2022 and 2021 is zero.
- e. Short-term compensated absences liabilities

The accrued liabilities regarding compensated absences for the years ended December 31, 2022 and 2021, are respectively 39,699 thousand and 33,710 thousand .

- f. The Corporation's salary and remuneration policy is as follows:
  - a) The Corporation has set up a Compensation Committee to regularly evaluate and supervise the remuneration system of the Corporation's directors and managers. The procedures for the remuneration of directors and managers are based on the performance evaluation method of the board of directors and employee performance appraisal. In addition, referring to the company's operational performance, future risks, development strategies and industry trends, it also considers the individual's impact on the company's performance to give reasonable remuneration for contributions.
  - b) The Corporation has formulated a complete employee welfare system in accordance with laws and regulations to provide employees with good

salary and welfare conditions. Employee remuneration includes monthly salary and employee remuneration according to the profit situation of the current year and the regulations of the Corporation's Articles. The Corporation regularly conducts the performance appraisal of all employees every year, and truly understands the work performance of colleagues, which is the basis for promotion, training and development and salary payment.

- c) According to the Corporation's Articles, the Corporation accrues compensation of employees and remuneration of directors and supervisors at rates of 3% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors, provided that the Corporation has recovered all of the accumulated losses.
- d) For the years ended December 31, 2022, the Corporation estimated its employee remuneration amounting to \$5,229 thousand, and the directors' remuneration amounting to \$3,486 thousand, respectively. If there is any change in the amounts after the annual consolidated financial statements are authorized for issue, the difference is recorded as a change in the accounting estimate and recognized as an adjustment in the next fiscal year. Due to losses in 2021, the Corporation does not estimate and recognize any compensation or remuneration payable. For the information on Employees' compensation and remuneration of directors and supervisors, please visit the Market Observation Post System (MOPS), the information-disclosing website launched by Taiwan Stock Exchange (TWSE).

(18) Income taxes

- a. The reconciliation of the income tax calculated from pre-tax income at statutory tax rate and the income tax expense was as follows:

|                                                                 | For the Years Ended December 31 |           |
|-----------------------------------------------------------------|---------------------------------|-----------|
|                                                                 | 2022                            | 2021      |
| Income tax calculated from pre-tax income at statutory tax rate | \$ 48,440                       | \$ 73,916 |
| Adjustments for                                                 |                                 |           |
| Permanent difference                                            | (5,427)                         | (5,884)   |
| Temporary difference                                            | (53,156)                        | 9,659     |
| Surplus on unappropriated earnings                              | --                              | --        |
| Less: Investment deduction                                      | --                              | --        |
| Loss deduction                                                  |                                 | (77,691)  |
| Carry forward of unused tax losses                              | 10,143                          | --        |
| Income tax expense recognized in profit or loss                 | \$ --                           | \$ --     |

- b. The details of Income tax expense were as follows:

|                                                       |    | For the Years Ended December 31 |       |
|-------------------------------------------------------|----|---------------------------------|-------|
|                                                       |    | 2022                            | 2021  |
| Income tax expense for the current period             |    |                                 |       |
| In respect of the current year                        | \$ | --                              | \$ -- |
| Adjustments for prior years                           |    | --                              | --    |
| Deferred gain                                         |    |                                 |       |
| The origination and reversal of temporary differences |    | --                              | --    |
| Income tax expense                                    | \$ | --                              | \$ -- |

- c. The changes in current income tax assets and liabilities recognized on the balance sheets for the current period were as follows:

|                                          | 2022.12.31 | 2021.12.31 |
|------------------------------------------|------------|------------|
| Current tax assets, opening balance      | \$ 111     | \$ 225     |
| Current tax liabilities, opening balance | --         | --         |
| Income tax expense                       | --         | --         |
| Approved tax refunds                     | --         | (124)      |
| Income tax paid                          | 5,335      | 10         |
| Current tax assets, ending balance       | (5,446)    | (111)      |
| Current tax liabilities, ending balance  | \$ --      | \$ --      |

- d. Income tax expenses recognized by the Corporation in other comprehensive income for fiscal years 2022 and 2021 are 0 thousand dollars.

- e. The analysis of net deferred income tax assets and liabilities was as follows:

|                                                              | 2022.12.31 | 2021.12.31 |
|--------------------------------------------------------------|------------|------------|
| Recognized as deferred tax assets (liabilities)              |            |            |
| Shares of operating revenue of associates and joint ventures | \$ 371     | \$ 388     |
| Allowance for bad debts expense in excess of limit           | 208        | 48,526     |
| Unrealized construction losses                               | 4,749      | 9,676      |
|                                                              | (84)       | --         |
| Carryforward of unused tax loss                              | 35,081     | 24,938     |
|                                                              | 40,325     | 83,528     |
| Less: Taxable losses estimated to be non-deductible          | (40,325)   | (83,528)   |
| Amount recognized as deferred tax assets (non-current)       | \$ --      | \$ --      |

Unused taxable losses for the previous ten years have been approved by the tax collection authority and estimated to be non-deductible from the net profit of the current year, so the tax losses are not recognized as deferred income tax assets because it is not very likely that the corporation will have sufficient taxable income for its use in the future.

- f. Information on unused loss carryforwards as of December 31, 2022 comprised:

| Tax Loss Year | Deductible Amount | Expiry Year |
|---------------|-------------------|-------------|
| 2018          | \$ 83,898         | 2028        |
| 2020          | 40,792            | 2030        |
| 2022          | 50,717            | 2032        |
|               | <u>\$ 175,407</u> |             |

- g. The tax authorities have examined income tax returns of the Corporation through 2020. The Corporation does not owe any tax.

(19) Earnings per share

- a. Basic EPS

Basic earnings per share of the Corporation are calculated by dividing the profit and loss attributable to the Corporation's common equity holders by the weighted average number of outstanding common shares in the current period.

- b. Diluted EPS

Diluted earnings per share are calculated by adjusting the profit and loss attributable to the common equity holders of the Corporation and the weighted average number of outstanding common shares to the effects of all potentially dilutive securities.

- c. The details of EPS were as follows:

| For the Year Ended December 31, 2022                                                                                                   |                     |                                                   |                |
|----------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------|----------------|
|                                                                                                                                        | After-tax<br>amount | Number of<br>Outstanding Shares<br>(in thousands) | EPS (NT\$)     |
| Basic EPS                                                                                                                              |                     |                                                   |                |
| Net income available to common<br>shareholders of the parent                                                                           | \$ 242,201          | 237,484                                           | <u>\$ 1.02</u> |
| Diluted EPS                                                                                                                            |                     |                                                   |                |
| Effect of potentially dilutive<br>ordinary shares                                                                                      | --                  | 573                                               |                |
| Bonuses issued to employees                                                                                                            |                     |                                                   |                |
| Net income available to common<br>shareholders of the parent,<br>adjusted for the effect of<br>potentially dilutive ordinary<br>shares | <u>\$ 242,201</u>   | <u>238,057</u>                                    | <u>\$ 1.02</u> |

| For the Year Ended December 31, 2021                                                                                                   |                     |                                                   |            |
|----------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------|------------|
|                                                                                                                                        | After-tax<br>amount | Number of<br>Outstanding Shares<br>(in thousands) | EPS (NT\$) |
| Basic EPS                                                                                                                              |                     |                                                   |            |
| Net income available to common<br>shareholders of the parent                                                                           | \$ 369,582          | 237,484                                           | \$ 1.56    |
| Diluted EPS                                                                                                                            |                     |                                                   |            |
| Effect of potentially dilutive<br>ordinary shares                                                                                      | --                  | --                                                |            |
| Bonuses issued to employees                                                                                                            |                     |                                                   |            |
| Net income available to common<br>shareholders of the parent,<br>adjusted for the effect of<br>potentially dilutive ordinary<br>shares | \$ 369,582          | 237,484                                           | \$ 1.56    |

## 7. Related Party Transactions

### (1) Names and relationships of the related parties

| Name                                                         | Relationship to the Corporation                               |
|--------------------------------------------------------------|---------------------------------------------------------------|
| FENG XIN DEVELOPMENT &<br>INVESTMENT CO., LTD.               | The Investor of the Corporation using the<br>equity method    |
| HO CHANG<br>INTERNATIONAL<br>CONTRACTOR CO., LTD             | Investee companies evaluated using the equity<br>method       |
| JIANG CHENG JIN                                              | Chairman of the Corporation's<br>board of directors           |
| All directors, general managers<br>and vice general managers | Major members consisting the Management of<br>the Corporation |

### (2) Operating transactions

#### a. Purchases

|                                               | For the Years Ended December 31 |                   |
|-----------------------------------------------|---------------------------------|-------------------|
|                                               | 2022                            | 2021              |
| HO CHANG INTERNATIONAL<br>CONTRACTOR CO., LTD | \$ 727,578                      | \$ 706,149        |
|                                               | <u>\$ 727,578</u>               | <u>\$ 706,149</u> |

The purchases mentioned above were made on general terms and conditions for purchase, via the procedures of evaluation, negotiation and supervisory approval. The payment period is 60 days for the next month and cash receipt for the next month or pay according to the Corporation's capital status. The Corporation is mainly engaged in the contracting business of civil engineering projects, whose purchase refers to payments for outsourced constructions and payments to subcontractors for construction materials.

b. Prepayments

|                        | <u>2022.12.31</u>           | <u>2021.12.31</u>           |
|------------------------|-----------------------------|-----------------------------|
| HO CHANG INTERNATIONAL | \$ 352,020                  | \$ 5,271                    |
| CONTRACTOR CO., LTD.   |                             |                             |
|                        | <u>                    </u> | <u>                    </u> |

HO CHANG INTERNATIONAL CONTRACTOR CO., LTD. is building new plants as a result of the contract of ready-mix concrete with the Corporation. After negotiation, two parties agreed that the Corporation would subsidize the capital cost of 13,177 thousand dollars, derived from the purchases of land, from 2019 to 2023. The subsidies are amortized for 5 years, and allocated to prepayments and cost of goods purchased.

The amounts of amortized prepayments as of December 31, 2022 and 2021, was 2,635 and 5,271 thousand dollars, respectively.

c. Other receivables

|                        | <u>2022.12.31</u>           | <u>2021.12.31</u>           |
|------------------------|-----------------------------|-----------------------------|
| HO CHANG INTERNATIONAL | \$ 5                        | \$ 3                        |
| CONTRACTOR CO., LTD.   |                             |                             |
|                        | <u>                    </u> | <u>                    </u> |

d. Notes payable

|                        | <u>2022.12.31</u>           | <u>2021.12.31</u>           |
|------------------------|-----------------------------|-----------------------------|
| HO CHANG INTERNATIONAL | \$ 99,651                   | \$ 166,681                  |
| CONTRACTOR CO., LTD.   |                             |                             |
|                        | <u>                    </u> | <u>                    </u> |

e. Accounts payable

|                        | <u>2022.12.31</u>           | <u>2021.12.31</u>           |
|------------------------|-----------------------------|-----------------------------|
| HO CHANG INTERNATIONAL | \$ 273,662                  | \$ 198,653                  |
| CONTRACTOR CO., LTD.   |                             |                             |
|                        | <u>                    </u> | <u>                    </u> |

f. Other Notes Payable

|                                             | <u>2022.12.31</u>           | <u>2021.12.31</u>           |
|---------------------------------------------|-----------------------------|-----------------------------|
| FENG XIN DEVELOPMENT & INVESTMENT CO., LTD. | \$ --                       | \$ 48,387                   |
|                                             | <u>                    </u> | <u>                    </u> |

Including the purchase price of parking space of 34,000 thousand and the price difference of 14,387 thousand dollars , please refer to to the property transaction description and Note 9(4) respectively.

g. Deposits received

|                        | <u>2022.12.31</u> | <u>2021.12.31</u> |
|------------------------|-------------------|-------------------|
| HO CHANG INTERNATIONAL | \$ 215,790        | \$ 45,387         |
| CONTRACTOR CO., LTD.   |                   |                   |

Note: The deposits pertain primarily to contract security deposits.

h. Guaranteed notes receivables

|                        | <u>2022.12.31</u> | <u>2021.12.31</u> |
|------------------------|-------------------|-------------------|
| HO CHANG INTERNATIONAL | \$ 424,729        | \$ 83,215         |
| CONTRACTOR CO., LTD.   |                   |                   |

Note: The notes pertain to guaranteed notes received for performance guarantee.

i. Rent expense

|                        | <u>For the Years Ended December 31</u> |             |
|------------------------|----------------------------------------|-------------|
|                        | <u>2022</u>                            | <u>2021</u> |
| FENG XIN DEVELOPMENT & | \$ 4,411                               | \$ 1,646    |
| INVESTMENT CO., LTD.   |                                        |             |

Note: The amount of rent and the payment method, specified in the rent agreement mentioned above, were negotiated by both parties. The amounts of deposit as of December 31, 2022 and 2021, was 1,670 and 289 thousand dollars, respectively.

j. Rental income

|                        | <u>For the Years Ended December 31</u> |             |
|------------------------|----------------------------------------|-------------|
|                        | <u>2022</u>                            | <u>2021</u> |
| HO CHANG INTERNATIONAL | \$ 947                                 | \$ --       |
| CONTRACTOR CO., LTD.   |                                        |             |

Note: In the above-mentioned lease contract, the determination of the rental income and the payment method are based on the agreement of both parties; as of December 31, 2022 and 2021, the deposits were 473,000 and 0 thousand dollars respectively.

k. Details on transactions of joint construction: please refer to Note 9(4).

l. Property transaction

In December 2021, the Corporation purchased 22 parking spaces at No. 405, a small section of Tammei Section, Neihu District, from FENG XIN

DEVELOPMENT & INVESTMENT CO., LTD. The total transaction price is 34,000 thousand (tax included), which is accounted for as Property, plant and equipment at 18,487 thousand and investment properties at 14,947 thousand, respectively.

(3) Remuneration of the major members of the Management

|                              | For the Years Ended December 31 |                  |
|------------------------------|---------------------------------|------------------|
|                              | 2022                            | 2021             |
| Short-term employee benefits | \$ 25,117                       | \$ 17,134        |
| Retirement benefits          | 814                             | 673              |
|                              | <u>\$ 25,931</u>                | <u>\$ 17,807</u> |

For detailed information on the major members of the Management, please refer to the Corporation's annual report.

## 8. Pledged Assets

The details of the assets pledged as collateral or for security of the Corporation were as follows:

| Name of the asset                    | Object Pledged as Collateral                       | 2022.12.31          | 2021.12.31          |
|--------------------------------------|----------------------------------------------------|---------------------|---------------------|
| Demand deposits and reserve accounts | Bank loan                                          | \$ 193,320          | \$ 113,270          |
| Demand deposits and reserve accounts | Warranty and guarantee of construction performance | 311,453             | 523,877             |
| Time deposits                        | Bank loan                                          | 60,230              | 60,230              |
| Time deposits                        | Warranty and guarantee of construction performance | 660,567             | 427,003             |
| Refundable deposits                  | Warranty and guarantee of construction performance | 179,547             | 80,290              |
| Property, Plant and Equipment        | Equipment Financing                                | 415,092             | 96,581              |
| Investment properties                | Bank loan                                          | 308,808             | --                  |
|                                      |                                                    | <u>\$ 2,129,017</u> | <u>\$ 1,301,251</u> |

## 9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

- (1) As of December 31, 2022, the total amount of construction contracts signed with non-related parties by the Corporation was NT\$21,431,739 thousand dollars, and the accumulated payments made by the Corporation amounted to NT\$9,649,659 thousand dollars.
- (2) As of December 31, 2022, the guaranteed notes issued by the Corporation for bank loans, material purchases and construction guarantees amounted to NT\$828,598 thousand dollars.

(3) Litigations and other contingencies

- a. To define the rights and obligations regarding the financial operations of the aforementioned jointly contracted construction, the Corporation and the joint contractor, HWASUN ENGINEERING & CONSTRUCTION CO., LTD. (hereinafter "Hwasun Company"), have signed the "Agreement on the Financial Operations regarding the Joint Contract" on January 5, 2003. As stated in the Agreement, both parties should deposit cash into the joint contract account as operating funds in proportion to their capital contribution ratios when the account has inadequate balance. If either party fails to contribute all or part of the operating funds in accordance with the regulations, the non-defaulting party would advance the contribution amount for the defaulting party. The defaulting party should repay the advance amount, combined with the interest calculated using 10% annual interest rate, to the joint contract account in cash. Nevertheless, Hwasun Company has not been contributing its share of operating funds according to the agreement since March, 2005. To ensure the smooth progress of the construction, the Corporation has been advancing the share of contribution for Hwasun Company, and recognized the estimated interest of the advance payments from the payment date to the settlement date. During the construction period, the Corporation has repeatedly demanded the settlements of debts without success. To facilitate the settlement process, on July 2, 2012, the Corporation petitioned Taiwan Taoyuan District Court for the pay warrant of the accumulated advance payments and relevant interest, respectively 181,535 thousand and 134,764 thousand dollars, as of April 30, 2012. Taiwan Taoyuan District Court approved and issued the pay warrant on July 31, 2012. The case entered legal proceedings after Hwasun Company's objection on August 29, 2012. On October 30, 2012, Taiwan Taoyuan District Court considered itself lacking jurisdiction, ruling that the case would be transferred to Taiwan Taipei District Court for further trials. As of the date of financial statements, the case is still under trial. In addition, to secure the creditor's rights, the Corporation has made a deposit of 48,400 thousand dollars in order to petition Taiwan Taipei District Court for the execution of provisional attachment on the Opposite party's assets within the range of 140,000 thousand dollars. In May, 2016, Hwasun Company petitioned the court for the reassessment of the assets under provisional execution, and the court ruled, on June 21, 2016, that the assets were worth approximately 270,000 thousand dollars. To secure the creditor's rights, the Corporation has made an additional deposit of 45,000 thousand dollars in order to petition Taiwan Taipei District Court for the execution of provisional attachment, making the total amount of deposits 93,400 thousand dollars (recognized as refundable deposits - non-current). Concerning the aforementioned payments, the Corporation estimated that the advance payments were retrievable from the payments for the jointly contracted construction and payments for price-level adjustments in the future; therefore, the Corporation only recognized an amount of 40% of the interest receivable as allowance for bad debts by the end of 2006. Afterward, Hwasun Company suffered from a financial crisis, lowering the possibility that the Corporation would be able to collect the advance payments and interest; as a result, the Corporation increased the recognition of allowance for bad debts to 50% of the interest receivable in March, 2009. Furthermore, on March 31, 2011, the Corporation decided to cease to recognize the estimated interest and planned to solve the issue through legal proceedings, considering

Hwasun Company's solvency and the fact that it had not been actively responding to the Corporation's demand. As of September 30, 2012, the balances of advance payments under joint contract and accumulated interest receivable were respectively 180,932 thousand and 112,097 thousand dollars. Due to the change in the estimation of the retrievable amount, the Corporation has reassessed the principal and interest of this case and recognized an additional amount of 199,931 as allowance for bad debts. The joint construction project was completed and settled with the owners in December, 2013, and the relevant payments were collected by January 9, 2014. After offsetting the collected payments with the advance payments, the Corporation recognized advance payments under joint contract of 193,843 thousand dollars, accumulated interest receivable of 112,097 thousand dollars, and allowance for bad debts at full amount, 305,940 thousand dollars as of December 31, 2019. Afterward, the litigation with the subcontractor of this construction project reached a settlement in March, 2020, allowing the Corporation to retrieve the principal and interest of the advance deposits; as a result, 64,347 thousand dollars of advance payments were offset, simultaneously reversing the allowance for bad debts. As of December 31, 2021, the balances of advance payments under joint contract, accumulated interest receivable and allowance for bad debts were respectively 129,496 thousand, 112,097 thousand and 241,593 thousand dollars. Later, the two parties reached a settlement on April 22, 2022. Hwasun Company should pay the Corporation 180,000 thousand dollars, and delivered a sight note of 100,000 thousand dollars on the same day. Then Hwasun Company delivered the face value of 48,070 thousand dollars on May 16, 2022, and instructed a third party to pay the remaining 31,930 thousand dollars on May 16, 2022. The aforementioned payment has been recovered, and the relevant provision for bad debts has been reversed.

- b. Hwasun Company filed a lawsuit to the district court on May 3, 2016, requesting that the Corporation pay the residual funds of 9,990 thousand dollars and the operating funds of 10 thousand dollars. The Corporation deemed this case repetitive with the claims regarding the case of funds loan, and has petitioned the court to continue the proceedings either after the judgment regarding the case of funds loan was made or after the appraisal report was released. The case was withdrawn on the same day as the settlement in accordance with the mediation conditions of the above case.

(4) Transactions of joint construction:

- a. On November 13, 2008, the board of directors of the Corporation has passed the resolution to jointly construct and sub-house the land of Neihu Technology Building with FENG XIN DEVELOPMENT & INVESTMENT CO., LTD., and the joint construction contract was signed on the same day. The two parties designated the distribution ratio for the sub-housing of the jointly constructed building to be 7:3.
- b. Regarding the joint construction case mentioned above, FENG XIN DEVELOPMENT & INVESTMENT CO., LTD. requested, via letter, to terminate the joint construction contract in September, 2013, claiming that it had other plans for the land. The board of directors of the Corporation passed the resolution to accept the request on October 16, 2013, and the two parties

have signed an agreement for the settlement of this case. FENG XIN DEVELOPMENT & INVESTMENT CO., LTD. agreed to make the following payments and compensation:

- a) Undertake the entire amount of expenses and costs incurred, by the Corporation, due to the performance of the joint construction contract, including the additional interest calculated using the statutory annual interest rate of 5%.
  - b) Make a compensation of 150,000 thousand dollars to the Corporation, as specified in Article 13 of the joint construction contract.
  - c) Unconditionally offer the Corporation 5% of the total area specified in the ownership certificate as an additional compensation to the Corporation when the initial general registration of the buildings is made, following the completion of the joint construction. (the value of the area offered must exceed 5% of the total area's value).
- c. Regarding the payments and compensation mentioned above, the entire amount of expenses and costs incurred, including the additional interest, totally amounted to 76,288 thousand dollars, were received on November 13, 2013; the compensation of 150,000 thousand dollars was received on October 22, 2013, as well, the ownership of the building in item (c) has been transferred registration on December 26, 2022, and acquired a total of 6 households at No. 405, a small section of Tanmei Section, Neihu District, respectively accounting for property, plant and equipment of 312,259 thousand and 279,253 thousand with investment properties, and at the same time, compensation income of 563,345 was recognized; however, the fair value of the real estate that was actually transferred registration was higher than the compensation, and the difference of 14,387 thousand (including tax) had been paid and was recorded in the account of investment properties.

**10. Significant Losses from Disasters: None**

**11. Significant Subsequent Events: None**

**12. Others**

**(1) Capital risk management**

The Corporation's fundamental goals of capital management are to maintain a high credit rating and healthy capital ratios to support the Corporation's operation and the maximization of the shareholders' equity. The capital management strategy of the Corporation in 2020 is consistent with those in prior years.

The Management regularly reviews the capital structure and considers the costs and risks involved in different capital structures. The Corporation adjusts the amount of debt according to the progress of construction and the funds required for operation, and adjusts the overall capital structure through means such as the issuance of new shares.

## (2) Financial instruments

## a. Information on the fair values of the financial instruments

|                                              |           | <b>2022.12.31</b>      |                     |
|----------------------------------------------|-----------|------------------------|---------------------|
|                                              |           | <b>Carrying Amount</b> | <b>Fair Value</b>   |
| Financial assets                             |           |                        |                     |
| Cash and cash equivalents                    | \$        | 423,842                | \$ 423,842          |
| Financial assets at amortized cost           |           | 740,797                | 740,797             |
| Accounts receivable                          |           | 1,187,225              | 1,187,225           |
| Other receivables                            |           | 21,282                 | 21,282              |
| Refundable deposits                          |           | 222,304                | 222,304             |
| Other financial assets                       |           | 3,036,005              | 3,036,005           |
|                                              | <b>\$</b> | <b>5,631,455</b>       | <b>\$ 5,631,455</b> |
|                                              |           | <b>2021.12.31</b>      |                     |
|                                              |           | <b>Carrying Amount</b> | <b>Fair Value</b>   |
| Financial assets                             |           |                        |                     |
| Cash and cash equivalents                    | \$        | 262,993                | \$ 262,993          |
| Financial assets at amortized cost           |           | 488,125                | 488,125             |
| Accounts receivable                          |           | 1,328,097              | 1,328,097           |
| Other receivables                            |           | 17,014                 | 17,014              |
| Refundable deposits                          |           | 192,605                | 192,605             |
| Other financial assets                       |           | 670,725                | 670,725             |
|                                              | <b>\$</b> | <b>2,959,559</b>       | <b>\$ 2,959,559</b> |
|                                              |           | <b>2022.12.31</b>      |                     |
|                                              |           | <b>Carrying Amount</b> | <b>Fair Value</b>   |
| Financial liabilities                        |           |                        |                     |
| Short-term loans                             | \$        | 1,805,543              | \$ 1,805,543        |
| Notes payable                                |           | 300,269                | 300,269             |
| Accounts payable                             |           | 2,316,997              | 2,316,997           |
| Other payables                               |           | 378,024                | 378,024             |
| Long-term notes payable -<br>current portion |           | 109,481                | 109,481             |
|                                              | <b>\$</b> | <b>4,910,314</b>       | <b>\$ 4,910,314</b> |
|                                              |           | <b>2021.12.31</b>      |                     |
|                                              |           | <b>Carrying Amount</b> | <b>Fair Value</b>   |
| Financial liabilities                        |           |                        |                     |
| Short-term loans                             | \$        | 1,310,337              | \$ 1,310,337        |
| Notes payable                                |           | 528,442                | 528,442             |
| Accounts payable                             |           | 2,599,525              | 2,599,525           |
| Other payables                               |           | 344,503                | 344,503             |
| Long-term notes payable -<br>current portion |           | 188,154                | 188,154             |
|                                              | <b>\$</b> | <b>4,970,961</b>       | <b>\$ 4,970,961</b> |

b. Informaion on the fair values

a) Techniques and assumptions adopted in the process of fair value measurement

The fair value of a financial instrument refers to the price at which a willing buyer and seller trade the instrument. The methods and assumptions adopted by the Corporation for the estimation of the fair values of financial assets and liabilities are as follows:

- I. The fair values of cash and cash equivalents, receivables, payables and other current liabilities approximately equal their carrying amounts due to their short terms to maturity.
- II. The fair values of financial assets and liabilities traded in active markets with standardized terms and conditions are determined by reference to the market quotation.
- III. The fair values of financial derivatives are determined using the public quotations. When public quotations are not available, the fair values of non-option financial derivatives are calculated by discounting the cash flows using the yield curves applicable in their durations. The fair values of options, on the other hand, are calculated using option pricing models.

b) Levels of fair values

The definitions of different levels of fair values are as follows:

- I. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- II. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- III. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Corporation's financial assets and liabilities measured at fair value on a recurring basis:

| <b>2022.12.31</b>         | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---------------------------|----------------|----------------|----------------|--------------|
| Financial assets          |                |                |                |              |
| Financial assets at FVTPL | \$ --          | \$ --          | \$ --          | \$ --        |

| <u>2021.12.31</u>         | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------|----------------|----------------|----------------|--------------|
| Financial assets          |                |                |                |              |
| Financial assets at FVTPL | \$ --          | \$ --          | \$ --          | \$ --        |

Except for those mentioned above, the fair values of the other financial assets and liabilities measured at amortized cost are approximately equal to their carrying amounts.

c. Natures of significant financial risks and the Corporation's exposure to the risks

a) Market risk

Market risk refers to the risk arising from changes in market quotations of exchange rate and interest rate, causing the Corporation's profits or the values of financial instruments held to fluctuate. The objectives of market risk management are to control the extent of the exposure to market risk within an affordable range and to optimize the return on portfolio simultaneously.

I. Exchange rate risk

The construction contracted by the Corporation consists primarily of domestic public construction, and the materials are acquired primarily from domestic market as well. Therefore, the Corporation is not exposed to significant exchange rate risk.

II. Interest rate risk

Interest rate risk refers to the risk arising from changes in market interest rate, leading to volatility in the fair values or future discounted cash flows of financial instruments. The Corporation's exposure to interest rate risk pertains primarily to floating-rate loans. If interest rates had been 1% higher and all other variables were held constant, the influence would have been as follows:

|                | <u>2022.12.31</u> | <u>2021.12.31</u> |
|----------------|-------------------|-------------------|
| Profit or loss | \$ 18,244         | \$ 16,704         |

b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations, resulting in financial loss to the Corporation. The Corporation's exposure to credit risk pertains primarily to accounts receivable and other receivables.

I. The Corporation is mainly engaged in the contracting of governmental public constructions. Significant concentration of credit risk does not exist. The Corporation periodically assesses the collectability of the accounts receivable and recognizes allowance for bad debts.

II. The Corporation applies the simplified approach in IFRS 9, estimating the loss allowance for receivables according to lifetime expected credit losses. When calculating the lifetime expected credit loss, the Corporation determines the expected credit loss rate, taking into consideration both current conditions and individual customer's characteristics, and recognizes 100% loss allowance for the receivables later than 365 days past due without other credit guarantees.

III. Individual risk assessment

The Corporation has set up an allowance for bad debt account to reflect the impairment loss and bad debt expense recognized from the estimation of the losses incurred for accounts receivable, other receivables and investments. Except for the following cases, significant doubts about the recoverability of assets do not exist, and thus exposures to credit risk are not significant.

- i. Regarding accounts receivable, allowance for bad debts was assessed and recognized on an individual basis for cases such as delayed payments due to the owner's financial issues and special scenarios that payments were frozen by the owner.
- ii. Regarding other receivables, the Corporation has assessed and recognized relevant allowance for bad debts for the advance payments for the joint contractor regarding the operating funds of the jointly contracted construction and the interest derived from them, taking into consideration the joint contractor's solvency and the fact that it had not been actively responding to the Corporation's demand Note (Please refer to 9 (3)).
- iii. The Corporation possesses preference shares of THE CHINESE BANK CO., LTD., who suffers from a significant financial crisis. Hence, impairment loss was recognized at full amount of the principals and interest. THE CHINESE BANK CO., LTD. is currently in the process of liquidation.

IV. The credit policy of the Corporation in 2022 fiscal year is consistent with that in 2021 fiscal year. Please refer to Note 6(3) for details of impairment loss.

c) Liquidity risk

The Corporation manages its financial flexibility using cash and cash equivalents, collection of construction contract revenues and contracts such as bank borrowings, and finances its operations by maintaining adequate cash and cash equivalents. The following table summarized the maturity of the payments stated in the Corporation's financial liability contracts. The Corporation ensures that sufficient funds are available to cover the due liabilities, so that unaffordable loss will not occur and damages the Corporation.

| <b>2022.12.31</b>                         | <b>Carrying<br/>Amount</b> | <b>Contractual<br/>Cash Flow</b> | <b>Less than<br/>1 Year</b>  | <b>1-3 Years</b>           | <b>More than 3<br/>Years</b> |
|-------------------------------------------|----------------------------|----------------------------------|------------------------------|----------------------------|------------------------------|
| Short-term loans                          | \$ 1,805,543               | \$ (1,863,317)                   | \$ (1,863,317)               | \$ --                      | \$ --                        |
| Notes payable                             | 300,269                    | (300,269)                        | (300,269)                    | --                         | --                           |
| Accounts payable                          | 2,316,997                  | (2,316,997)                      | (1,559,801)                  | (586,881)                  | (170,315)                    |
| Other payables                            | 378,024                    | (378,024)                        | (378,024)                    | --                         | --                           |
| Long-term notes payable - current portion | 109,481                    | (112,227)                        | (80,902)                     | (31,325)                   | --                           |
|                                           | <u><u>\$ 4,910,314</u></u> | <u><u>\$ (4,970,834)</u></u>     | <u><u>\$ (4,182,313)</u></u> | <u><u>\$ (618,206)</u></u> | <u><u>\$ (170,315)</u></u>   |

| <b>2021.12.31</b>                         | <b>Carrying<br/>Amount</b> | <b>Contractual<br/>Cash Flow</b> | <b>Less than<br/>1 Year</b>  | <b>1-3 Years</b>           | <b>More than 3<br/>Years</b> |
|-------------------------------------------|----------------------------|----------------------------------|------------------------------|----------------------------|------------------------------|
| Short-term loans                          | \$ 1,310,337               | \$ (1,345,510)                   | \$ (1,345,510)               | \$ --                      | \$ --                        |
| Notes payable                             | 528,442                    | (528,442)                        | (528,442)                    | --                         | --                           |
| Accounts payable                          | 2,599,525                  | (2,599,525)                      | (2,031,479)                  | (447,253)                  | (120,793)                    |
| Other payables                            | 344,503                    | (344,503)                        | (344,503)                    | --                         | --                           |
| Long-term notes payable - current portion | 188,154                    | (195,489)                        | (83,262)                     | (112,227)                  | --                           |
|                                           | <u><u>\$ 4,970,961</u></u> | <u><u>\$ (5,013,469)</u></u>     | <u><u>\$ (4,333,196)</u></u> | <u><u>\$ (559,480)</u></u> | <u><u>\$ (120,793)</u></u>   |

The Corporation does not expect that the time points at which cash flows occur used in the maturity analysis will advance significantly or that the actual amounts will differ significantly.

(3) Policies of financial risk management

The main objectives of the Corporation's financial risk management are to manage market risk, credit risk and liquidity risk related to operating activities and to identify, evaluate and manage the aforementioned risks in accordance with the Corporation's policies and risks.

The Corporation has established suitable policies, procedures and internal control for the aforementioned financial risk management in accordance with relevant regulations. Under the policies, all significant financial activities must be reviewed by the board of directors in accordance with relevant regulations and internal control systems. During the execution of the financial management activities, the Corporation must comply with the established regulations concerning financial risk management.

### 13. Supplementary Disclosures

(1) Significant Transactions and Relevant Information

- a. Financings provided: See Table 1 attached
- b. Endorsement/guarantee provided: None
- c. Marketable securities held (excluding investments in subsidiaries and associates): None

- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- e. Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital : None
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 2 attached
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached
- i. Information on the derivative financial instruments transaction: None

(2) Information on Investees

Information on the investees over which the Corporation directly or indirectly exercises significant influence or controls: See Table 4 attached

(3) Information on Investments in Mainland China: None

(4) Information on Major Shareholders: See Table 5 attached

**14. Segment Information: please refer to the consolidated financial statements for the year ended December 31, 2022.**

**TABLE 1**

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**FINANCINGS PROVIDED**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Financing Company                        | Counterparty                                  | Financial Statement Account | Related Party | Maximum Balance for the Period | Ending Balance (The Amount Approved by the Board of Directors) | Amount Actually Drawn | Annual Interest Rate | Nature for Financing | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral |       | Financing Limits for Each Borrowing Company (Note 1) | Financing Company's Total Financing Amount Limits (Note 2) |
|-----|------------------------------------------|-----------------------------------------------|-----------------------------|---------------|--------------------------------|----------------------------------------------------------------|-----------------------|----------------------|----------------------|---------------------|----------------------|------------------------|------------|-------|------------------------------------------------------|------------------------------------------------------------|
|     |                                          |                                               |                             |               |                                |                                                                |                       |                      |                      |                     |                      |                        | Item       | Value |                                                      |                                                            |
| 0   | HWANG CHANG GENERAL CONTRACTOR CO., LTD. | HUASHENG SHANGDA GENERAL CONTRACTOR CO., LTD. | Other receivables           | No            | 128,023                        | 330,184                                                        | --                    | 10%                  | 1                    | 150,043             | Operaing Capital     | --                     | --         | --    | 150,043                                              | 781,236                                                    |
| 0   | HWANG CHANG GENERAL CONTRACTOR CO., LTD. | HUASHENG SHANGDA GENERAL CONTRACTOR CO., LTD. | Other receivables           | No            | 1,473                          |                                                                | --                    | 10%                  | 2                    | --                  | Operaing Capital     |                        | --         | --    | 260,412                                              |                                                            |

Note 1: For the amount of business transactions, the limit is set as the amount of business transactions between the two parties. For the amount of non-business transactions, the limit is set as 10% of the net worth reported in the Corporation's most recent financial statements.

Note 2: The limit is set as 30% of the net worth reported in the Corporation's most recent financial statements.

Note 3: The amount has been collected, please refer to Note 9(3).

TABLE 2

HWANG CHANG GENERAL CONTRACTOR CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name                             | Related Party                               | Nature of Relationships                            | Transaction Details |         |            |                                                                                                                                                    | Abnormal Transaction |                                                                                        | Notes/Accounts Payable or Receivable             |            | Note |
|------------------------------------------|---------------------------------------------|----------------------------------------------------|---------------------|---------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------------------------------------------------------------|--------------------------------------------------|------------|------|
|                                          |                                             |                                                    | Purchases / Sales   | Amount  | % to Total | Payment Terms                                                                                                                                      | Abnormal Transaction | Notes/Accounts Payable or Receivable                                                   | Ending Balance                                   | % to Total |      |
| Hwang Chang General Contractor Co., Ltd. | Ho Chang International Contractor Co., Ltd. | Investee company evaluated using the equity method | Purchases           | 727,578 | 11.69%     | Net 60 days from the 20th day after the month of when invoice is issued<br>Cash payments on the 30th day after the month of when invoice is issued | --                   | Net 60 days end of month or payments depending on the Corporation's funding conditions | Notes payable 99,651<br>Accounts payable 273,662 | 14.26%     |      |

TABLE 3

HWANG CHANG GENERAL CONTRACTOR CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name                                | Related Party                            | Nature of Relationships                            | Ending Balance                 | Turnover Days | Overdue (Note 1) |              | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|---------------------------------------------|------------------------------------------|----------------------------------------------------|--------------------------------|---------------|------------------|--------------|---------------------------------------|-------------------------|
|                                             |                                          |                                                    |                                |               | Amount           | Action Taken |                                       |                         |
| Ho Chang International Contractor Co., Ltd. | Hwang Chang General Contractor Co., Ltd. | Investee company evaluated using the equity method | Notes receivable<br>99,651     | 1.94%         | --               | --           | 11,591(Note 2)                        | --                      |
|                                             |                                          |                                                    | Accounts receivable<br>275,965 |               | --               | --           | 108,492(Note 2)                       | --                      |

Note 1: The collection of the receivables depends on the funding condition of the parent company.

Note 2: The amounts are the received amounts as of March 10, 2023.

TABLE 4

HWANG CHANG GENERAL CONTRACTOR CO., LTD.

INFORMATION ON THE INVESTEES OVER WHICH THE CORPORATION DIRECTLY OR INDIRECTLY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL  
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company                         | Investee Company                            | Location       | Main Businesses and Products          | Original Investment Amount |                   | Balance as of December 31, 2020 |                         |                 | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee | Note |
|------------------------------------------|---------------------------------------------|----------------|---------------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|-----------------|-------------------------------------|-------------------------------------|------|
|                                          |                                             |                |                                       | December 31, 2022          | December 31, 2021 | Shares                          | Percentage of Ownership | Carrying Amount |                                     |                                     |      |
| Hwang Chang General Contractor Co., Ltd. | Ho Chang International Contractor Co., Ltd. | Taipei, Taiwan | Manufacturing of ready mixed concrete | 98,673                     | 103,424           | 17,738,650                      | 49.00%                  | 215,097         | 60,540                              | 29,667                              |      |

## HWANG CHANG GENERAL CONTRACTOR CO., LTD.

## INFORMATION ON MAJOR SHAREHOLDERS

DECEMBER 31, 2022

| Shareholders                                | Shares | Total Shares Owned | Ownership Percentage |
|---------------------------------------------|--------|--------------------|----------------------|
| Feng Xin Development & Investment Co., Ltd. |        | 119,035,965        | 50.12 %              |
| Huan Dong Investment Co., Ltd.              |        | 19,370,550         | 8.15 %               |
| Jiang Lu Xiu E                              |        | 12,208,173         | 5.14 %               |
| Xing Hua Enterprise Co., Ltd.               |        | 12,036,000         | 5.06 %               |

Note: For the corporations which acquire the information on major shareholders through from Taiwan Depository & Clearing Corporation, the following matters can be attached as the notes to the table.

- (1) The information of this table is calculated, by Taiwan Depository & Clearing Corporation, based on the information about the shareholders holding over 5% of the Corporation's non-physical ordinary shares and preference shares which have been registered and delivered, on the last business day of every quarter. The amount of share capital reported in the Corporation's financial statements may differ from the amount of non-physical shares which the Corporation has registered and delivered, due to different calculation bases.
- (2) Regarding the information mentioned in Note (1), in the case that the shareholder transfers his/her shares into trust, the shares are disclosed independently in the trust account of the trustor, opened by the trustee. As for the share report for insiders holding over 10% of shares in accordance with Securities and Exchange Act, the holding shares include those held by the shareholder him/herself and those under trust with discretion reserved. For information on insider report for shares, please visit the Market Observation Post System (MOPS), the information-disclosing website launched by Taiwan Stock Exchange (TWSE).

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**  
**Statements of Significant Accounting Items**  
**For the Year Ended December 31, 2022**

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**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Cash and Cash Equivalents**

**December 31, 2022**

| Statement 1     |                    | Unit: NT\$ 1,000         |             |
|-----------------|--------------------|--------------------------|-------------|
| <u>Item</u>     | <u>Description</u> | <u>Amount</u>            | <u>Note</u> |
| Cash on hand    |                    | \$ 2,270                 |             |
| Bank deposits:  |                    |                          |             |
| Demand deposits |                    | <u>421,572</u>           |             |
| Total           |                    | <u><u>\$ 423,842</u></u> |             |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Financial Assets at Amortized Cost - Current**

**December 31, 2022**

| Statement 2                                              |                                | Unit: NT\$ 1,000         |                      |                          |                                            |                                                       |
|----------------------------------------------------------|--------------------------------|--------------------------|----------------------|--------------------------|--------------------------------------------|-------------------------------------------------------|
| <u>Item</u>                                              | <u>Number of<br/>Contracts</u> | <u>Total<br/>Amount</u>  | <u>Interest Rate</u> | <u>Amount</u>            | <u>Accumulated<br/>Impairment<br/>Loss</u> | <u>Note</u>                                           |
| Time deposits<br>(Mega Bank -<br>Chung Hsiao<br>Branch)  | 54                             | \$ 687,437               | 0.31%~0.435%         | \$ 687,437               | \$ --                                      | Please refer<br>to Note 8<br>for details<br>of pledge |
| Time deposits<br>(Huanan Bank-<br>Huaisheng Branch)      | 4                              | 33,360                   | 0.495%               | 33,360                   | --                                         |                                                       |
| Time<br>deposits(King's<br>Town Bank -<br>Luzhou Branch) | 1                              | 20,000                   | 1.1%                 | 20,000                   | --                                         |                                                       |
| Total                                                    |                                | <u><u>\$ 740,797</u></u> |                      | <u><u>\$ 740,797</u></u> | <u><u>\$ --</u></u>                        |                                                       |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Accounts Receivable**

**December 31, 2022**

| Statement 3                   |                       | Unit: NT\$ 1,000    |             |
|-------------------------------|-----------------------|---------------------|-------------|
| <u>Client Name</u>            | <u>Description</u>    | <u>Amount</u>       | <u>Note</u> |
| Non-related Parties:          |                       |                     |             |
| Taipei City Government        | Construction Payments | \$ 135,637          |             |
| CPC Co., Ltd.                 | Construction Payments | 571,616             |             |
| Taoyuan City Government       | Construction Payments | 217,949             |             |
| New Taipei City Government    | Construction Payments | 109,903             |             |
| Freeway Bureau, MOTC          | Construction Payments | 152,120             |             |
| Total                         |                       | 1,187,225           |             |
| Less: Allowance for bad debts |                       | --                  |             |
| Net amount                    |                       | <u>\$ 1,187,225</u> |             |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Changes in Contract Assets and Liabilities**

**For the Year Ended December 31, 2022**

Statement 4

**Unit: NT\$ 1,000**

| <b>Project Code</b>         | <b>Description</b> | <b>Amount</b>       | <b>Note</b> |
|-----------------------------|--------------------|---------------------|-------------|
| <b>Contract Assets</b>      |                    |                     |             |
| HC82                        |                    | \$ 1,330,814        |             |
| HC85                        |                    | 478,121             |             |
| HC89                        |                    | 182,941             |             |
| HC91                        |                    | 168,447             |             |
| Others(Note)                |                    | 464,803             |             |
| Total                       |                    | <u>\$ 2,625,126</u> |             |
| <b>Contract Liabilities</b> |                    |                     |             |
| HC89                        |                    | \$ 337,257          |             |
| HC96                        |                    | 3,689,950           |             |
| Others(Note)                |                    | 17,949              |             |
| Total                       |                    | <u>\$ 4,045,156</u> |             |

Note : None of the sub-items' balance exceeds 5% of the item.

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Prepayments**

**December 31, 2022**

Statement 5

**Unit: NT\$ 1,000**

| <b>Item</b>                   | <b>Description</b>           | <b>Amount</b>     | <b>Note</b> |
|-------------------------------|------------------------------|-------------------|-------------|
| Advance payments for projects | Utility engineering projects | \$ 520,162        |             |
| Prepaid expenses              | Insurance expense            | 104,171           |             |
|                               | Service charge               | 15,469            |             |
|                               | Line of credit fees          | 2,430             |             |
|                               | Others                       | 4,654             |             |
| Total                         |                              | <u>\$ 646,886</u> |             |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Other Financial Assets - Current**

**December 31, 2022**

| Statement 6     |                                                                     |                     | Unit: NT\$ 1,000                             |
|-----------------|---------------------------------------------------------------------|---------------------|----------------------------------------------|
| <u>Item</u>     | <u>Description</u>                                                  | <u>Amount</u>       | <u>Note</u>                                  |
| Demand deposits |                                                                     | \$ 504,773          | Please refer to Note 8 for details of pledge |
| Demand deposits | Dedicated prepayment account with restricted spending               | 2,530,998           |                                              |
| Bank deposits   | Joint contract (allocated in accordance with cooperation agreement) | 234                 |                                              |
| Total           |                                                                     | <u>\$ 3,036,005</u> |                                              |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Refundable Deposits**

**December 31, 2022**

| Statement 7                |                                                                                        |                   | Unit: NT\$ 1,000                             |
|----------------------------|----------------------------------------------------------------------------------------|-------------------|----------------------------------------------|
| <u>Item</u>                | <u>Description</u>                                                                     | <u>Amount</u>     | <u>Note</u>                                  |
| Current:                   |                                                                                        |                   |                                              |
| Warranty deposits          | New Construction Office, Construction & Planning Agency Ministry of the Interior, etc. | \$ 118,432        | Please refer to Note 8 for details of pledge |
| Contract security deposits | Department of Rapid Transit Systems, New Construction Office, etc.                     | 53,615            |                                              |
| Loan deposits              | ORIX                                                                                   | 7,500             |                                              |
| Project deposit            | Department of Rapid Transit Systems                                                    | 20,000            |                                              |
| Other refundable deposits  | Deposits for the land, dormitories and electricity of work stations                    | 18,091            |                                              |
|                            |                                                                                        | <u>217,638</u>    |                                              |
| Non-current:               |                                                                                        |                   |                                              |
| Others                     | Deposits for rents and mailboxes                                                       | <u>4,666</u>      |                                              |
|                            |                                                                                        | <u>4,666</u>      |                                              |
| Total                      |                                                                                        | <u>\$ 222,304</u> |                                              |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**  
**Statement of Changes in investments accounted for using the equity method**  
**For the Year Ended December 31, 2022**

Statement 8

Unit: NT\$ 1,000

| Name                                        | Opening Balance  |                   | Increase during the Period |                  | Decrease during the Period |                 | Ending Balance   |                    |                   | Details of Collaterals, Pledges or Loans Provided | Remarks |
|---------------------------------------------|------------------|-------------------|----------------------------|------------------|----------------------------|-----------------|------------------|--------------------|-------------------|---------------------------------------------------|---------|
|                                             | Number of Shares | Amount            | Number of Shares           | Amount (Note1)   | Number of Shares           | Amount (Note2)  | Number of Shares | Shareholding Ratio | Amount            |                                                   |         |
| Ho Chang International Contractor Co., Ltd. | 15,838,080       | \$ 189,907        | 1,900,570                  | \$ 29,941        | ----                       | \$ 4,751        | 17,738,650       | 49.00%             | \$ 215,097        | --                                                |         |
| Less: Accumulated impairment                |                  | --                |                            |                  |                            | --              |                  |                    | --                |                                                   |         |
| Total                                       |                  | <u>\$ 189,907</u> |                            | <u>\$ 29,941</u> |                            | <u>\$ 4,751</u> |                  |                    | <u>\$ 215,097</u> |                                                   |         |

Note 1: The amount includes the share of profit and loss of the subsidiary of 29,667 thousand dollars, realized gross profit on sales of 85 thousand dollars and the share of other comprehensive income of the subsidiary of 189 thousand dollars, in net amount after offsetting.

Note 2: Cash dividend received.

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Short-term Borrowings**

**December 31, 2022**

Statement 9

|                                                                  |              |                     |                       |                                                                 |                        |                                                      | Unit: NT\$ 1,000 |
|------------------------------------------------------------------|--------------|---------------------|-----------------------|-----------------------------------------------------------------|------------------------|------------------------------------------------------|------------------|
| Lending Institution                                              | Type of Loan | Ending Balance      | Contract Period       | Interest Rate Interval                                          | Loan Commitment Amount | Collateral or Guarantee                              | Note             |
| Taiwan Business Bank –<br>World Trade Center Branch              | Collateral   | \$ 60,000           | 2022.09.19-2023.08.19 | Time savings deposit floating rate<br>+ 2.64%                   | \$ 110,000             | Demand deposits                                      |                  |
| Mega Bank –<br>Chung Hsiao Branch                                | Collateral   | 72,080              | 2021.08.09-2023.08.08 | (Time deposit floating rate<br>+ 1.7%)/0.946                    | 72,080                 | Time deposits                                        |                  |
| Mega Bank –<br>Chung Hsiao Branch                                | Credit       | 234,000             | 2020.04.30-2027.05.22 | Time savings deposit (1y~less than 2y)<br>floating rate + 1.6%  | 400,000                | --                                                   |                  |
| Mega Bank –<br>Chung Hsiao Branch                                | Collatera    | 242,123             | 2022.03.03-2023.03.02 | (Time deposit floating rate<br>+ 1.7%)/0.946                    | 400,000                | Investment Properties                                |                  |
| First Bank –<br>Yanji Branch                                     | Credit       | 91,750              | 2019.12.04-2023.07.31 | Time savings deposit (2y~less than 3y)<br>floating rate + 1.63% | 91,750                 | --                                                   |                  |
| First Bank –<br>Yanji Branch                                     | Credit       | 179,500             | 2022.06.21-2023.06.21 | Time savings rate floating rate + 1.48%                         | 439,500                | --                                                   |                  |
| First Bank –<br>Yanji Branch                                     | Collatera    | 50,000              | 2022.02.21-2023.02.21 | Time savings deposit (2y~less than 3y)<br>floating rate + 1.63% | 400,000                | PP&E                                                 |                  |
| Chang Hwa Bank –<br>Chungshan North Rd. Branch                   | Collatera    | 273,700             | 2022.04.30-2023.04.30 | Base rate + 0.53%                                               | 600,000                | Demand deposits 、<br>Investment Properties 、<br>PP&E |                  |
| Land Bank of Taiwan –<br>Hoping Branch                           | Collateral   | 70,000              | 2022.05.14-2023.05.14 | Target rate + 2.09%                                             | 100,000                | Demand deposits                                      |                  |
| Taiwan Cooperative Bank –<br>Jhongsiao Branch                    | Collateral   | 48,100              | 2022.01.10-2023.01.10 | Time savings floating rate + 2.13%                              | 65,000                 | Demand deposits                                      |                  |
| Hua Nan Bank –<br>Huai Sheng Branch                              | Collateral   | 50,000              | 2022.09.26-2023.09.25 | TAIBOR(3-month) + 2.13711%                                      | 50,000                 | Demand deposits                                      |                  |
| Taiwan Shin Kong Commercial. Bank-<br>Xinsheng South Road Branch | Collateral   | 85,350              | 2022.07.20-2023.08.02 | Bid by bid (one year rate 2.36%)                                | 85,350                 | Demand deposits                                      |                  |
| King's Town Bank-- Luzhou Branch                                 | Collatera    | 348,940             | 2021.05.21-2023.11.20 | One-year floating deposit interest rate<br>+1.76%               | 348,940                | Demand deposits                                      |                  |
| Total                                                            |              | <u>\$ 1,805,543</u> |                       |                                                                 |                        |                                                      |                  |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.****Statement of Notes Payable****December 31, 2022**

Statement 10

**Unit: NT\$ 1,000**

| <b>Vendor Name</b>                          | <b>Description</b> | <b>Amount</b>     | <b>Note</b> |
|---------------------------------------------|--------------------|-------------------|-------------|
| Related parties:                            |                    |                   |             |
| Ho Chang International Contractor Co., Ltd. |                    | \$ 99,651         |             |
|                                             |                    | <u>99,651</u>     |             |
| Non-related parties                         |                    |                   |             |
| Evergreen Steel Corp .                      |                    | 55,257            |             |
| Hing Leung Chin Engineering Co., Ltd.       |                    | 29,868            |             |
| Others                                      |                    | 115,493           | See Note    |
|                                             |                    | <u>200,618</u>    |             |
| Total                                       |                    | <u>\$ 300,269</u> |             |

Note: None of the sub-items' balance exceeds 5% of the item.

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.****Statement of Accounts Payable****December 31, 2022**

Statement 11

**Unit: NT\$ 1,000**

| <b>Vendor Name</b>                          | <b>Description</b> | <b>Amount</b>       | <b>Note</b> |
|---------------------------------------------|--------------------|---------------------|-------------|
| Related parties:                            |                    |                     |             |
| Ho Chang International Contractor Co., Ltd. |                    | \$ 273,662          |             |
|                                             |                    | <u>273,662</u>      |             |
| Non-related parties:                        |                    |                     |             |
| Okumura Corporation                         |                    | 170,682             |             |
| TA CHANG TSUO INDUSTRIALS CO .,<br>LTD .    |                    | 151,857             |             |
| Others                                      |                    | 1,720,796           | See Note    |
|                                             |                    | <u>2,043,335</u>    |             |
| Total                                       |                    | <u>\$ 2,316,997</u> |             |

Note: None of the sub-items' balance exceeds 5% of the item.

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

Statement of Lease liabilities

**December 31, 2022**

| Statement 12 |                                                       | Unit: NT\$ 1,000         |                          |                   |
|--------------|-------------------------------------------------------|--------------------------|--------------------------|-------------------|
| <b>Item</b>  | <b>Description</b>                                    | <b>Rental<br/>Period</b> | <b>Discount<br/>Rate</b> | <b>Amount</b>     |
| Land         | Mainly for the lease of land and water in Taipei Port | 1-8 years                | 2.71%~3.08%              | \$ 118,256        |
| Buildings    | Mainly used as office and public works                | 1-15 years               | 2.73%~3.08%              | 113,533           |
| Machine      | For operation use                                     | 8 yrsrs                  | 3.08%                    | 5,864             |
|              |                                                       |                          |                          | <u>237,653</u>    |
|              |                                                       | Less : current portion   |                          | <u>(70,327)</u>   |
|              |                                                       |                          |                          | <u>\$ 167,326</u> |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

Statement of Other Current Liabilities - Other

**December 31, 2022**

| Statement 13                                     |                                             | Unit: NT\$ 1,000  |             |
|--------------------------------------------------|---------------------------------------------|-------------------|-------------|
| <b>Item</b>                                      | <b>Description</b>                          | <b>Amount</b>     | <b>Note</b> |
| Deposits received - current:                     |                                             |                   |             |
| Contract security deposits - related parties     | Ho Chang International Contractor Co., Ltd. | \$ 215,790        |             |
| Contract security deopsits - non-related parties |                                             | 28,128            |             |
| Lease Contract deposits - related parties        | Ho Chang International Contractor Co., Ltd. | 473               |             |
| Receipts under custody                           |                                             | 12,896            |             |
| Others                                           |                                             | <u>1,066</u>      |             |
| Total                                            |                                             | <u>\$ 258,353</u> |             |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

Statement of Long-term notes payable

**December 31, 2022**

Statement 14

**Unit: NT\$ 1,000**

| <u>Lending Institution</u>  | <u>Amount</u>    | <u>Collateral or Guarantee</u> |
|-----------------------------|------------------|--------------------------------|
| Shinshin Credit Corporation | \$ 31,125        | Property, plant and equipment  |
| IBT LEASING CO., LTD.       | 40,399           | Property, plant and equipment  |
| ORIX TAIWAN CORPORATION     | 37,957           | Deposit 7,500 thousand         |
| Total                       | 109,481          |                                |
| Less : current portion      | (78,626)         |                                |
|                             | <u>\$ 30,855</u> |                                |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

Statement of Other Non-current Liabilities - Other

**December 31, 2022**

Statement 15

**Unit: NT\$ 1,000**

| <u>Item</u>                                          | <u>Description</u>                          | <u>Amount</u>    | <u>Note</u> |
|------------------------------------------------------|---------------------------------------------|------------------|-------------|
| Deposits received - non-current                      |                                             | \$ 46,865        |             |
| Deferred credits - gains on inter-affiliate accounts | Ho Chang International Contractor Co., Ltd. | 14               |             |
| Total                                                |                                             | <u>\$ 46,879</u> |             |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

Statement of Operating Revenue

**For the Year Ended December 31, 2022**

Statement 16

**Unit: NT\$ 1,000**

| <u>Code</u>              | <u>Description</u> | <u>Amount</u>       | <u>Note</u> |
|--------------------------|--------------------|---------------------|-------------|
| <b>Operating Revenue</b> |                    |                     |             |
| HC82                     |                    | \$ 1,411,065        |             |
| HC85                     |                    | 468,356             |             |
| HC88                     |                    | 1,082,919           |             |
| HC89                     |                    | 1,124,067           |             |
| HC91                     |                    | 632,238             |             |
| HC92                     |                    | 703,967             |             |
| HC94                     |                    | 1,157,622           |             |
| HC95                     |                    | 733,281             |             |
| Others                   |                    | 516,459             | See Note    |
| Total                    |                    | <u>\$ 7,829,974</u> |             |

Note : None of the sub-items' balance exceeds 5% of the item.

| Statement 17           |             |                     | Unit: NT\$ 1,000 |
|------------------------|-------------|---------------------|------------------|
| Purpose code           | Description | Operating Costs     | Note             |
| <b>Operating Costs</b> |             |                     |                  |
| HC82                   |             | \$ 1,410,398        |                  |
| HC85                   |             | 463,575             |                  |
| HC88                   |             | 1,025,307           |                  |
| HC89                   |             | 1,088,468           |                  |
| HC91                   |             | 597,224             |                  |
| HC92                   |             | 680,828             |                  |
| HC94                   |             | 1,111,610           |                  |
| HC95                   |             | 693,937             |                  |
| Others                 |             | 498,359             | See Note         |
| Total                  |             | <u>\$ 7,569,706</u> |                  |

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Operating Costs**

**For the Year Ended December 31, 2022**

Note : None of the sub-items' balance exceeds 5% of the item.

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Construction Expenses**

**For the Year Ended December 31, 2022**

| Statement 18                    |             |                     | Unit: NT\$ 1,000 |
|---------------------------------|-------------|---------------------|------------------|
| Item                            | Description | Amount              | Note             |
| Indirect labor                  |             | \$ 390,596          | Note 1           |
| Depreciation Expense            |             | 204,331             |                  |
| Miscellaneous Expense           |             | 102,461             |                  |
| Insurance Expense               |             | 114,122             |                  |
| handling fee                    |             | 55,188              |                  |
| Repairs and maintenance expense |             |                     |                  |
| Others                          |             | 227,460             | Note 2           |
| Total                           |             | <u>\$ 1,094,158</u> |                  |

Note 1: Indirect labor expenses include salaries and bonuses.

Note 2: None of the sub-items' balance exceeds 5% of the item.

**HWANG CHANG GENERAL CONTRACTOR CO., LTD.**

**Statement of Operating Expenses**

**For the Year Ended December 31, 2022**

| Statement 19          |             | Unit: NT\$ 1,000  |        |  |
|-----------------------|-------------|-------------------|--------|--|
| Item                  | Description | Amount            | Note   |  |
| Salary expense        |             | \$ 96,205         | Note 1 |  |
| Professional fees     |             | 15,453            |        |  |
| Miscellaneous expense |             | 17,787            |        |  |
| Depreciation expense  |             | 21,210            |        |  |
| Insurance expense     |             | 10,297            |        |  |
| Others                |             | 18,490            | Note 2 |  |
| Total                 |             | <u>\$ 179,442</u> |        |  |

Note 1: Salary expense includes salaries and bonuses.

Note 2: None of the sub-items' balance exceeds 5% of the item.