

根基營造 2023 年財報法人說明會

Kedge Construction Co., LTD. 2023 Earning Results Conference



根基營造

- Part of the content in this presentation is prepared based on financial statements that have been reviewed by certified public accountants. The complete content and data provided in the relevant financial statements shall prevail.
- The information provided in this presentation may include forward-looking statements, which may differ materially from actual results. The information provided in this presentation does not expressly or impliedly indicate or guarantee its accuracy or completeness, nor does it represent a complete discussion on the state of the industry or subsequent significant developments from Kedge Construction Co., LTD. (hereinafter referred to as "KEDGE").



Content

1

Company Profile

4

**Business
Performance**

2

**State of the
Industry**

5

**Advantages and
Development
Strategies**

3

**Operation
Overview**



1

Company Profile

- Any third party may not arbitrarily access and use this presentation and its content without prior written consent from KEDGE.

Founded on / Went public in	April 13, 1982 / July 1998
Capital	NT\$1.17 billion
Chairman	Ai-Wei Yuan, Chairman
Spokesperson	Chin-Hua Fan, SVP



The Core business of Kedge is the integrated construction industry, the various contracted projects are as follows:



Residential Engineering

urban renewal business, exquisite residences, collective residential building, office buildings, etc.



Civil Engineering

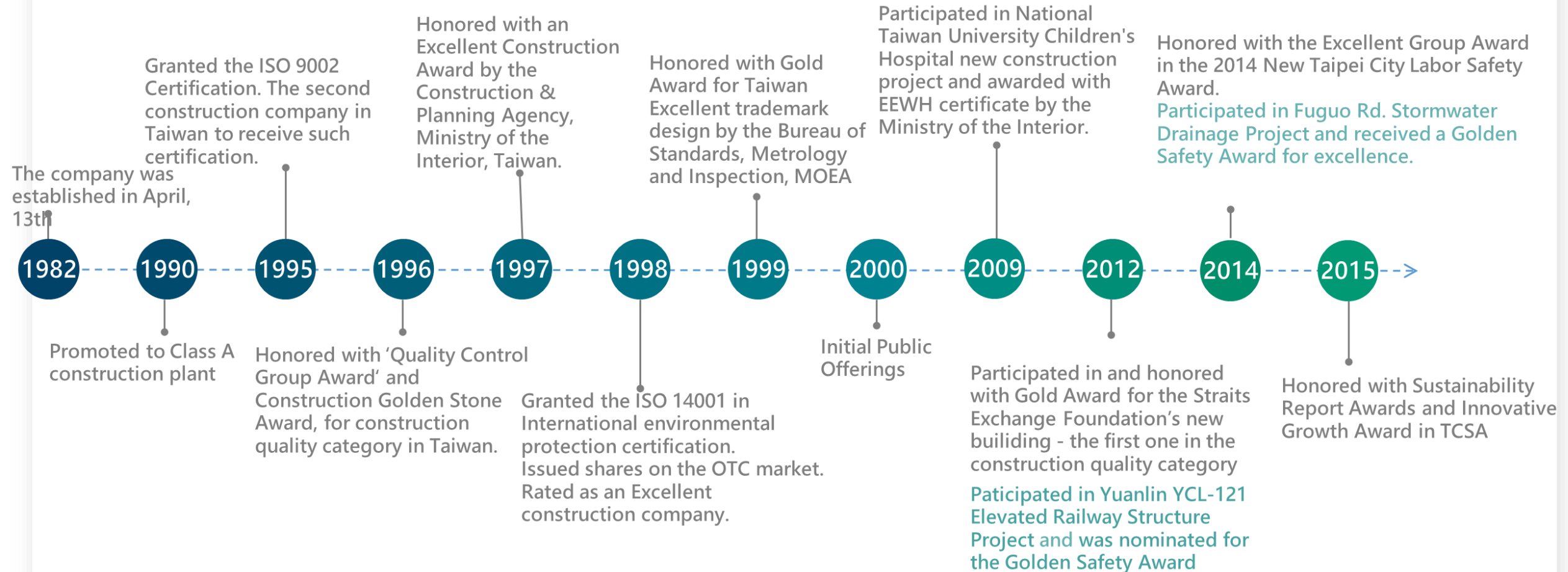
government transportation construction, roads, bridges, stations, tunnels, waterways, lower tracks, etc.



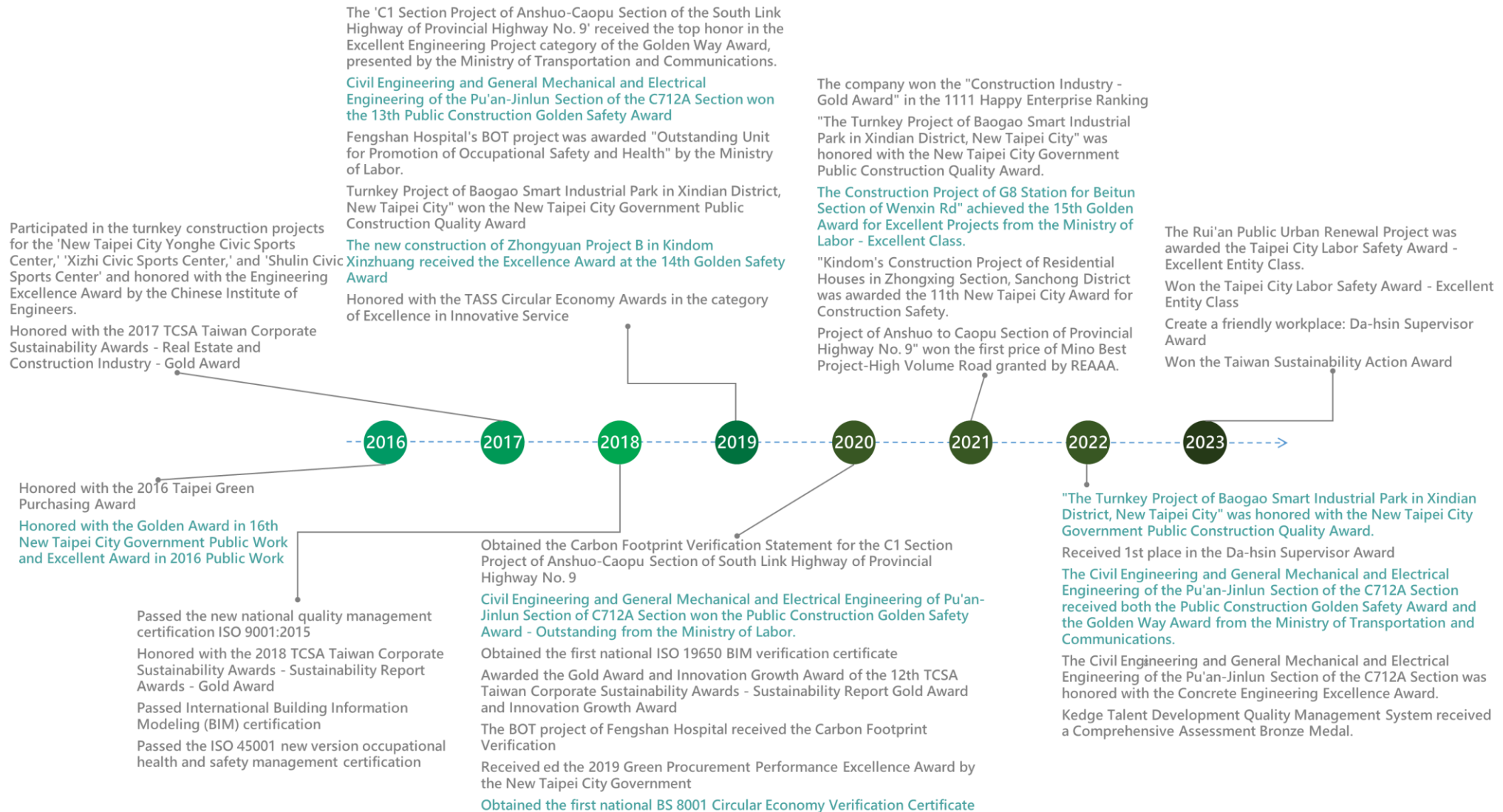
Other Engineering

government public projects, index-based construction projects, social housing, high-tech and civilian factories, corporate headquarters office buildings, etc.

根基營造 Kedge Construction



根基營造 Kedge Construction



- Any third party may not arbitrarily access and use this presentation and its content without prior written consent from KEDGE.



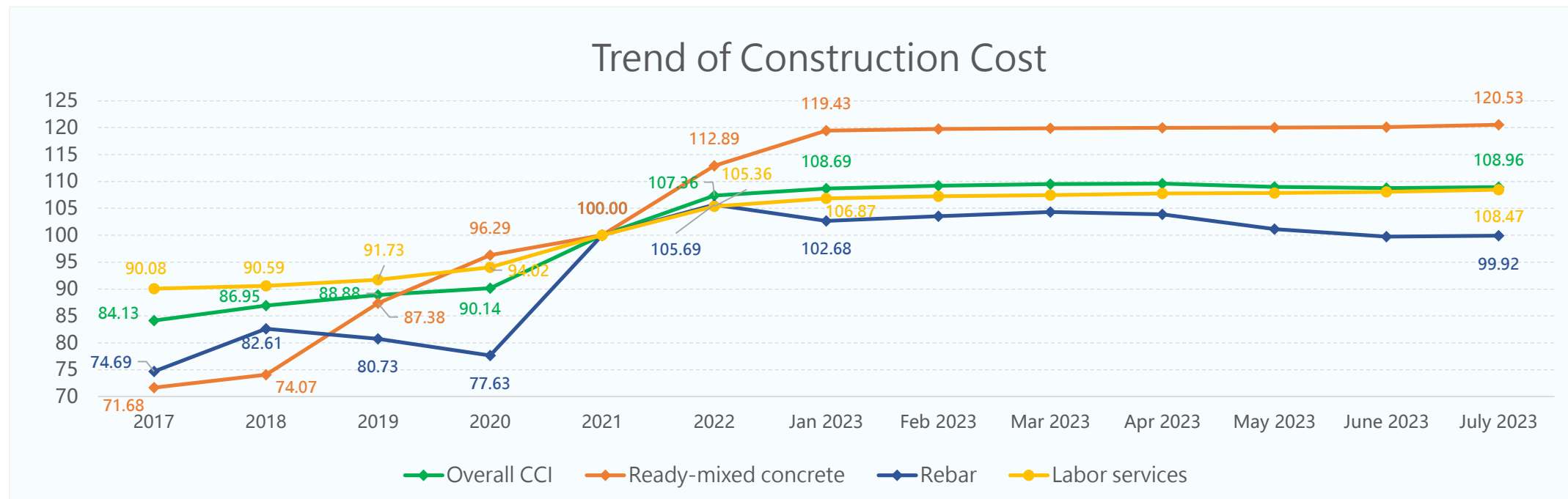
2

State of the Industry

- Any third party may not arbitrarily access and use this presentation and its content without prior written consent from KEDGE.

The Risk of Rising Construction Cost Index (CCI) and Bulk Commodity Price

- Since 2017, the monthly YoY of CCI has been continuously increasing, with the recent growth rate slowing down somewhat. However, bulk materials such as concrete with its carbon footprint issues and the shortage of sand and gravel will inevitably cause the CCI to continuously increase.
- A shortage of technicians and an increase in the minimum wage have also led to rising construction costs.



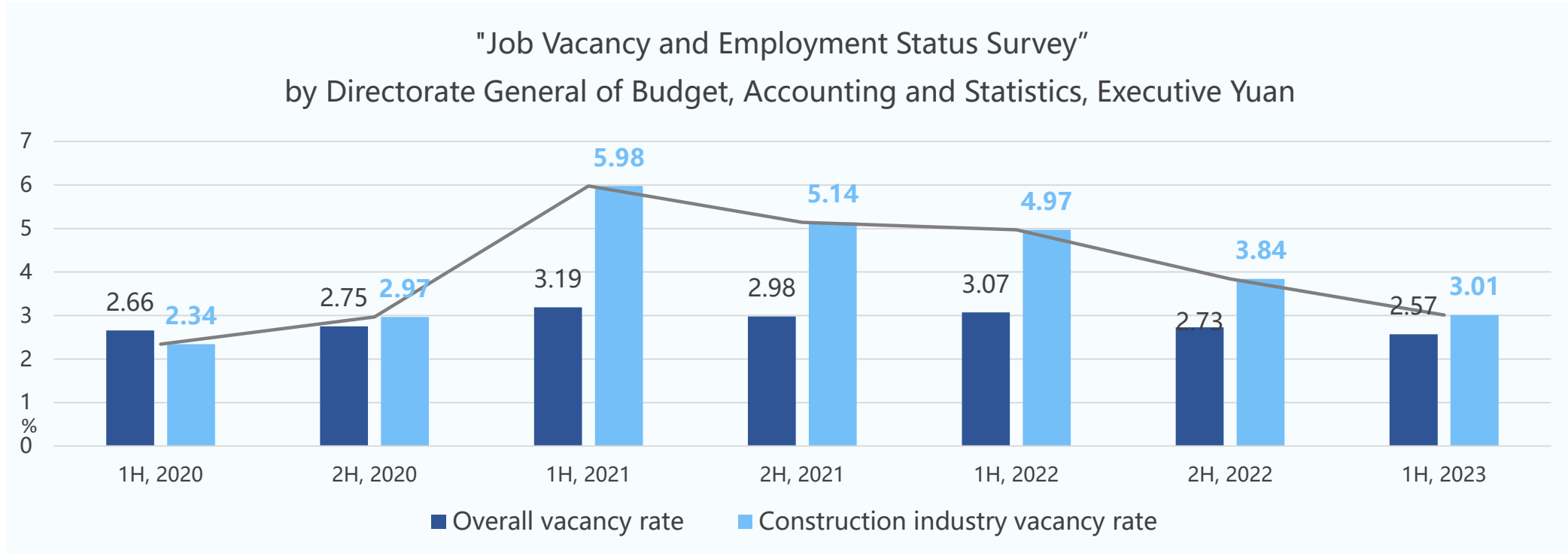
Source: Directorate General of Budget, Accounting and Statistics, Executive Yuan

- Any third party may not arbitrarily access and use this presentation and its content without prior written consent from KEDGE.

No End in Sight for Labor Shortages

- In May of this year, the Ministry of Labor announced a forecast adjustment of the qualifications for hiring migrant workers, and it will adjust the employment qualifications for the construction industry
- Planning for all levels of construction, including comprehensive construction, specialized contracting, and civil engineering subcontracting, entities meeting the contracting volume and domestic worker employment thresholds are eligible to hire migrant workers at a rate of 30%. Furthermore, by paying additional employment stabilization fees, they can increase the EXTRA allocation rate to a maximum of 40%. Initially, a total of 8,000 positions will be made available
- Although the labor shortage in the construction industry is not as severe as in previous years, when a large semiconductor plant is used, up to 3,000 people will be needed during the peak construction period, so the introduction of 8,000 migrant workers by the Ministry of Labor will not do much to alleviate the construction labor shortage. In the long run, we should continue to promote the implementation of automation and precasting, and reduce the demand for on-site labor through simplicity, standardization and automation.

No End in Sight for Labor Shortages (cont.)



Source: "Job Vacancy and Employment Status Survey" by Directorate General of Budget, Accounting and Statistics, Executive Yuan, and content from Economic Daily News



3

Operation Overview

- Any third party may not arbitrarily access and use this presentation and its content without prior written consent from KEDGE.

- **Xiulang Bridge Station Development Project**

- Floor Area: 15,424 pings
- RC / B5F-20F
- Construction Period: July 2022 to April 2024

- **Erchongpu**

- Floor Area: 21,147 pings
- RC / B5F-25F
- Construction Period: March 2020 to August 2023

- **Minquan East Public Urban Renewal Project**

- Floor Area: 11,769 pings
- SS / B4F-15F, RC / B1F-10F
- Construction Period: June 2022 to April 2025



- **Zhonghe Senior High School Station LG08**

- Floor Area: 7,231 pings
- RC / B5F-24F
- Construction Period: September 2020 to June 2024

- **Taichung Yumaowu Construction Project**

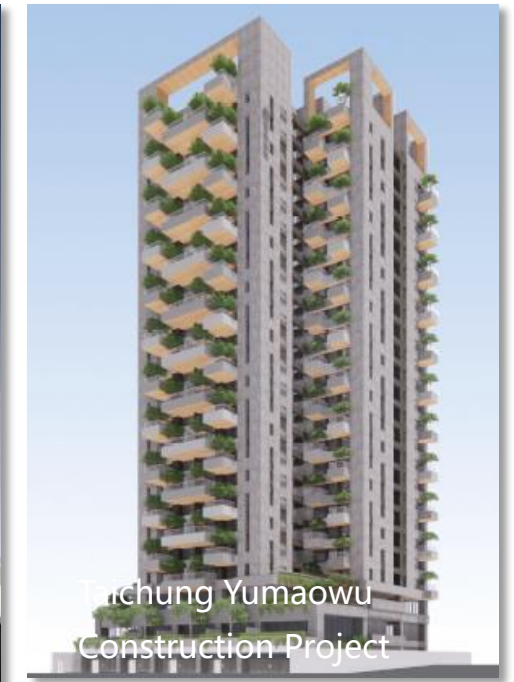
- Floor Area: 10,534 pings
- RC / B4F-24F
- Construction Period: September 2022 to May 2026

- **Taichung MRT Siwei Elementary School G5 station joint development**

- Floor Area 7,695坪
- RC / B5F-22F
- Construction Period: August 2023 to Jan 2026



Zhonghe Senior High School Station LG08



Taichung Yumaowu Construction Project

- **AP6B FAB at Zhunan**

- Floor Area 176,251 m²
- SRC / B2F-6F

- **AP6B CUP at Zhunan**

- Floor Area 18,612 m²
- B1F(RC)/4F(SRC)

- **AP6B Office at Zhunan**

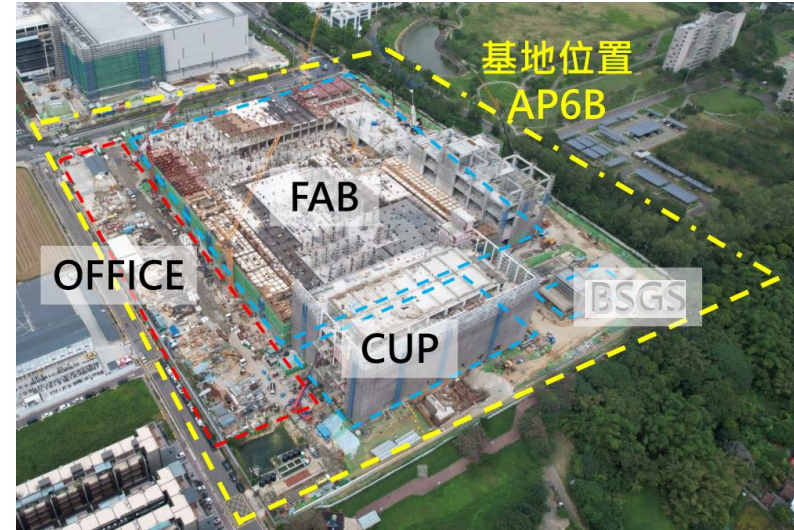
- Floor Area 57,510m²
- RC/B4F-7F

- **Zero Waste Manufacturing Center at Central Taiwan Science Park**

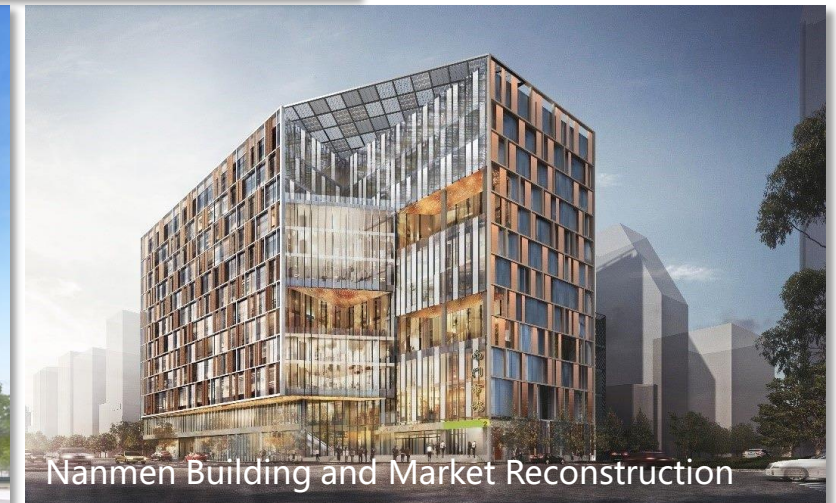
- Floor Area 12,961m²
- RC+SS / B2F-3F

- **Earthworks at Southern Taiwan Science Park**

- About 850,000 square meters



- **Taoyuan Convention and Exhibition Center**
 - An international convention and exhibition center
 - Floor Area 23,053 pings
 - RC+ST/B1F-7F
 - May 2019 to September 2023
- **Nanmen Building and Market Reconstruction**
 - A hybrid building composed of market and office area
 - Floor Area 14,146 pings
 - SRC+SC / B5F-12F
 - May 2019 to September 2023
- **Taishan Social Housing and National Army Duty Dormitory**
 - High efficiency through community participation
 - Moving towards sustainability through privately-developed social housing
 - Floor Area 20,695 pings
 - RC / B3F-14F、B1F-8F
 - June 2021 to November 2025 (including design)



- **C212 Tainan Railway Underground Project**

- 691 m long
- Construction of the train station, a temporary rear station, and cross-station pedestrian bridge, as well as electrical and mechanical works
- November 2019 to November 2025

- **C611 Chiayi Elevated Railway Project**

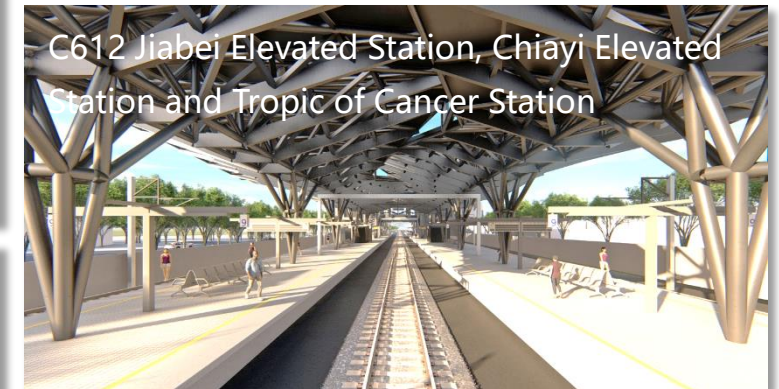
- 8.3 km long
- Track laying, improvement of level crossing, and demolition of land bridge
- June 2020 to February 2026

- **C612 Jiabei Elevated Station, Chiayi Elevated Station and Tropic of Cancer Station**

- 813 m long overhead bridge and elevated station
- Construction of three stations, including Chiayi Station, Jiabei Station, and Tropic of Cancer Station
- January 2022 to February 2027

- **Houlung Guan-Hai Bridge and Xihu River Bridge Reconstruction Project along Provincial Highway No. 61**

- 975 m/360 m long
- Reconstruction of overhead bridges, installation of prestressed box beams and pre-stressed I-beams, as well as drainage, traffic, and road works
- November 2021 to April 2027





4

Business Performance

- Any third party may not arbitrarily access and use this presentation and its content without prior written consent from KEDGE.



營運績效

Consolidated
revenue in 2022
NT\$14.204
billion

After-tax
earnings per
share
NT\$8.98

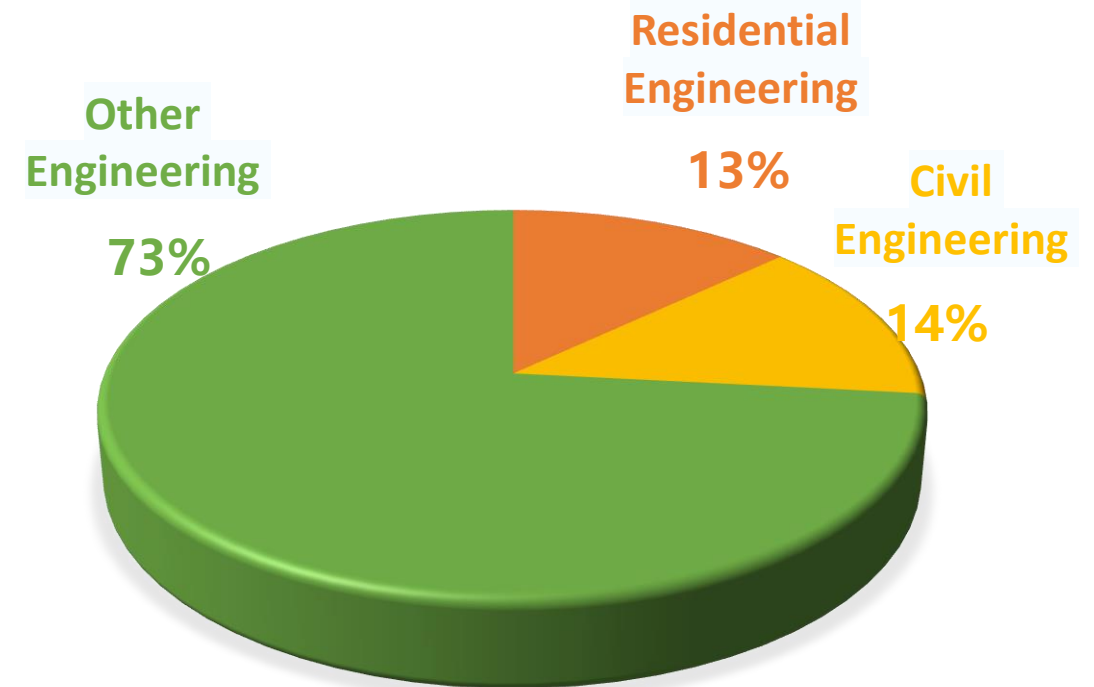
Annual
growth
+31.86%

Annual
growth
+41.42%

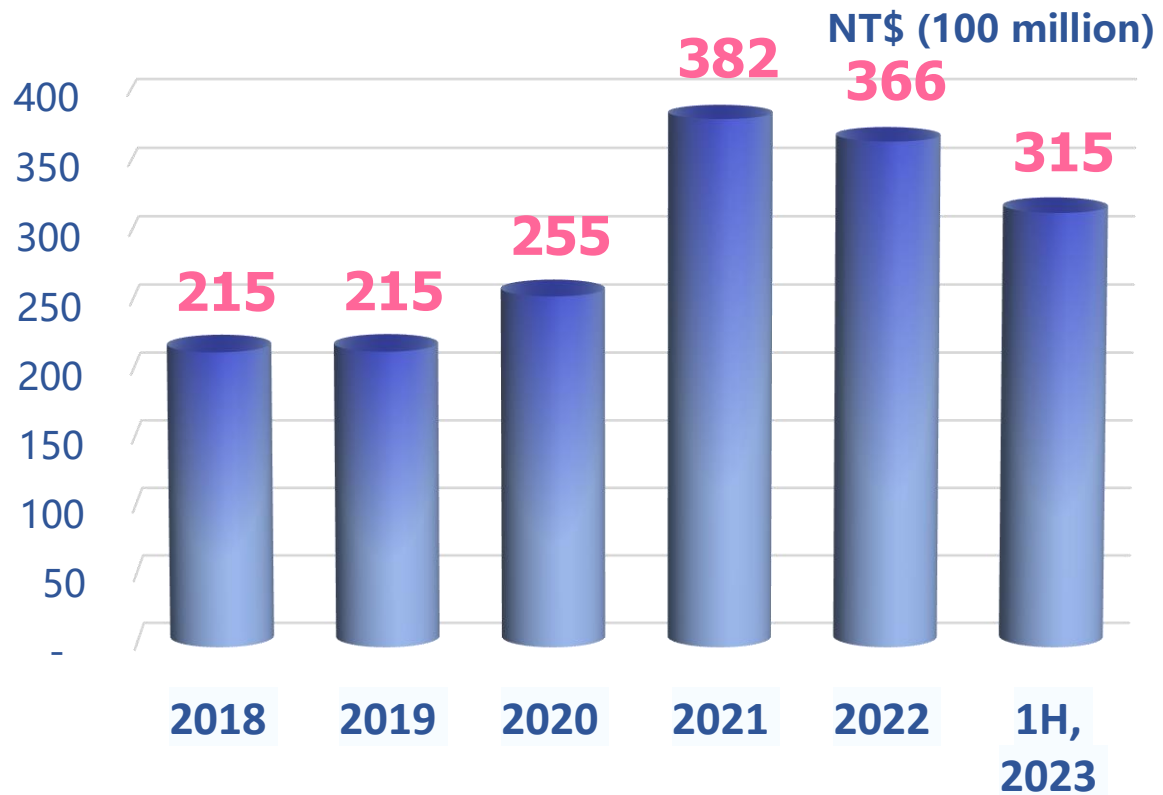
Consolidated revenue for the last five years



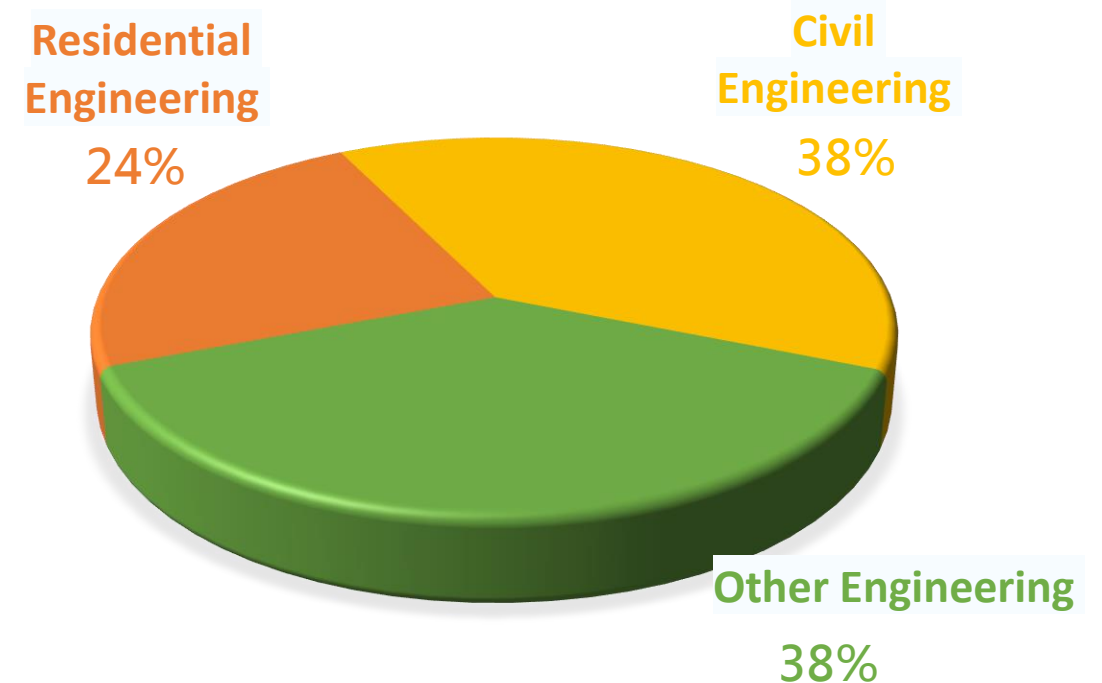
Consolidated revenue distribution in 2022



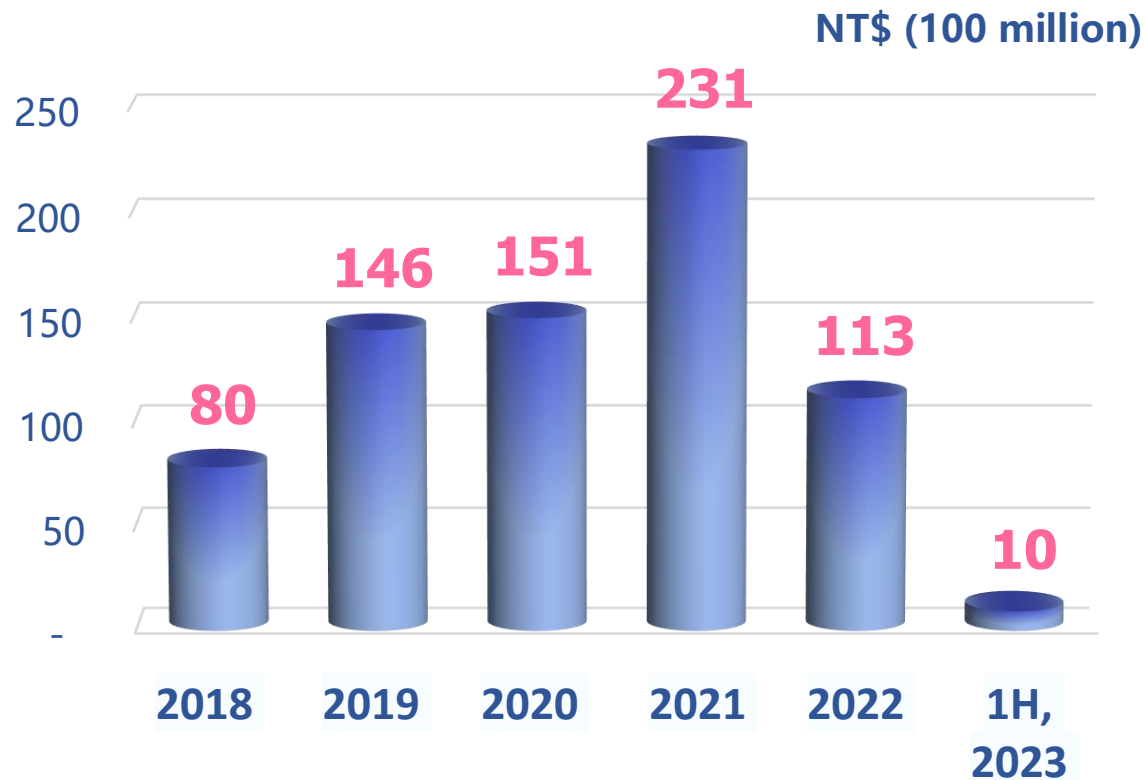
Unrecognized revenue in the last five years



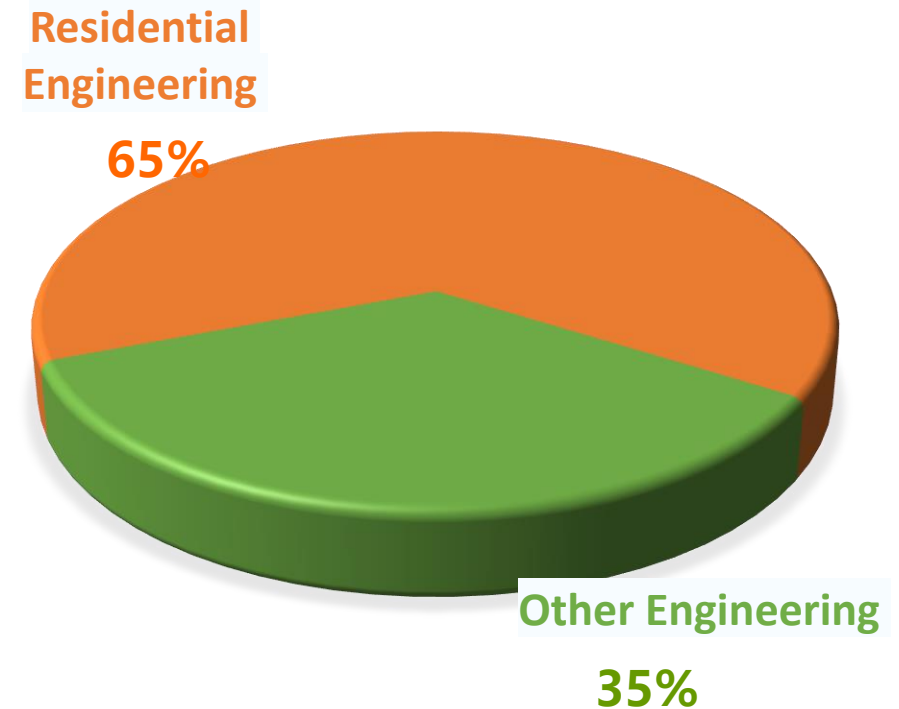
Unrecognized revenue chart for 2022



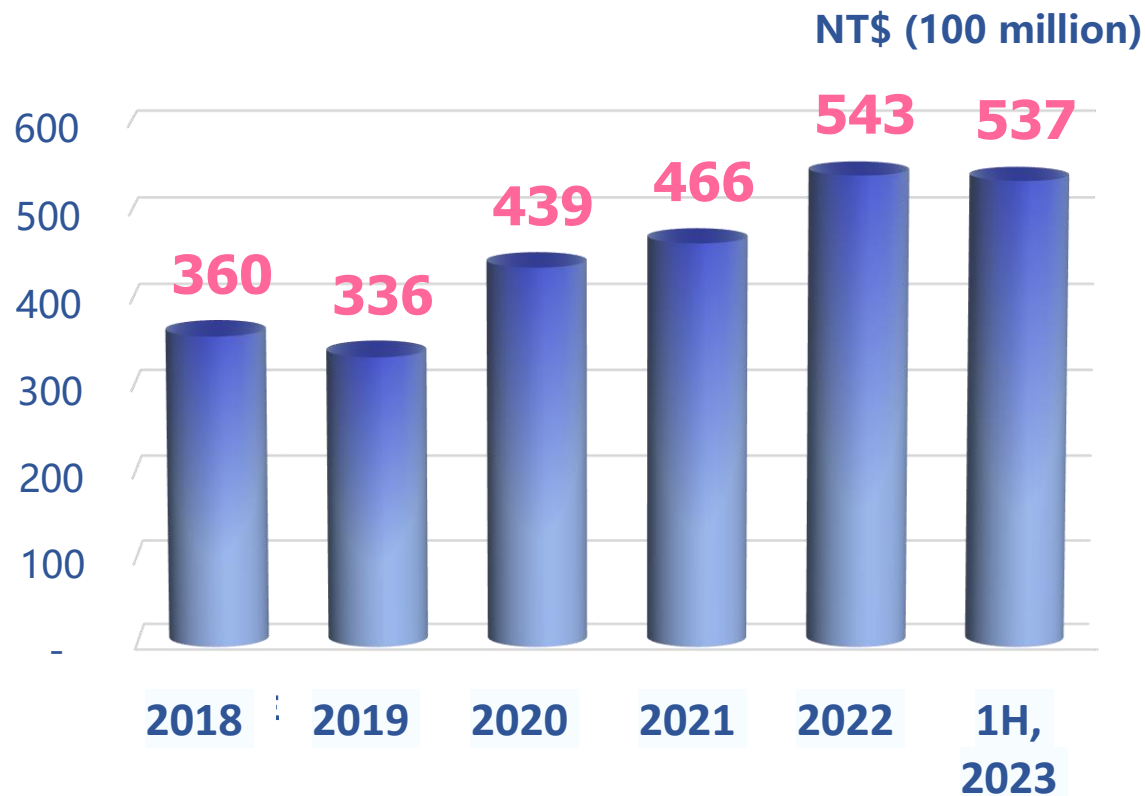
Number of new contracts signed in the last five years



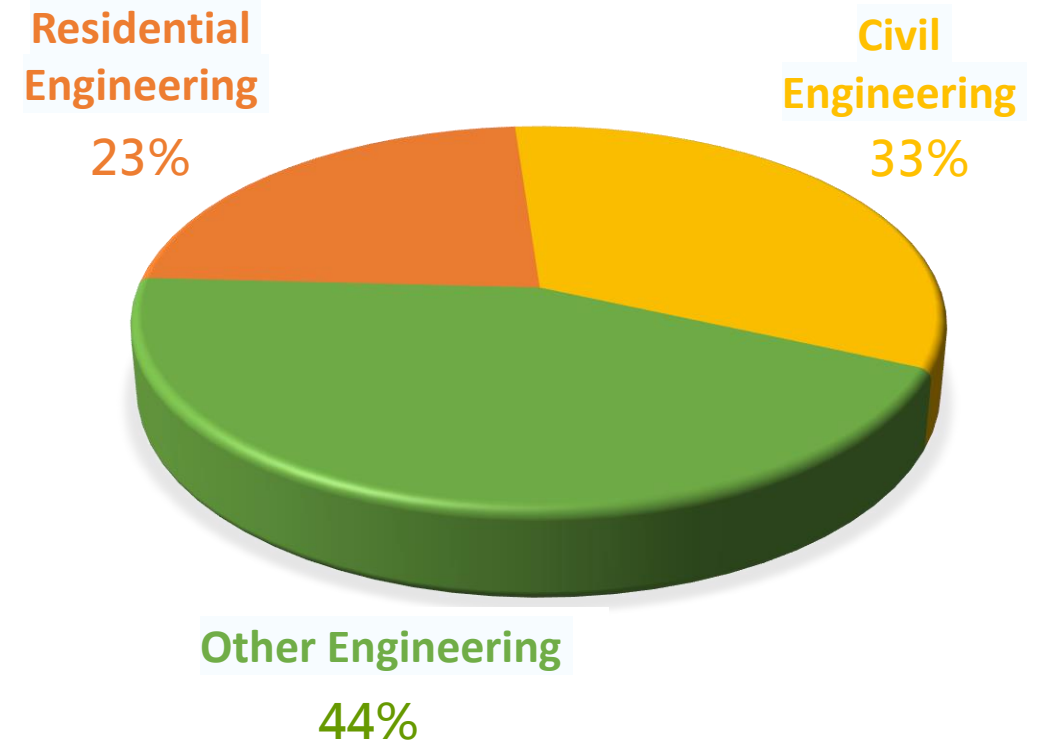
Distribution of new contracts in 2022



Ongoing Construction Contracts for the Last Five Years



Distribution map of ongoing construction contracts in 2022



Consolidated balance sheet for Q2, 2023 and 2022

Unit: NT\$thousand

Item	2023/06/30	2022/06/30	Item	2023/06/30	2022/06/30
Currennet assets*	11,270,761	9,228,187	Current liabilities	7,496,508	6,247,510
Financial assets	1,380,207	193,693	Non-current liabilities	176,965	180,643
Other current assets	9,890,554	9,034,494	Other non-current liabilities	16,128	7,020
Non-current assets	661,174	673,751	Total liabilities	7,689,601	6,435,173
Property, plant and equipment	163,851	153,359	Total equity	4,242,334	3,466,765
Other non-current assets	497,323	520,392			
Total assets	11,931,935	9,901,938	Total liabilities and equity	11,931,935	9,901,938
* Cash and cash equivalents in current assets amounts to NT\$4.80 billion on June 30, 2023					

Consolidated comprehensive income statement for 1H, 2023

Unit: NT\$thousand

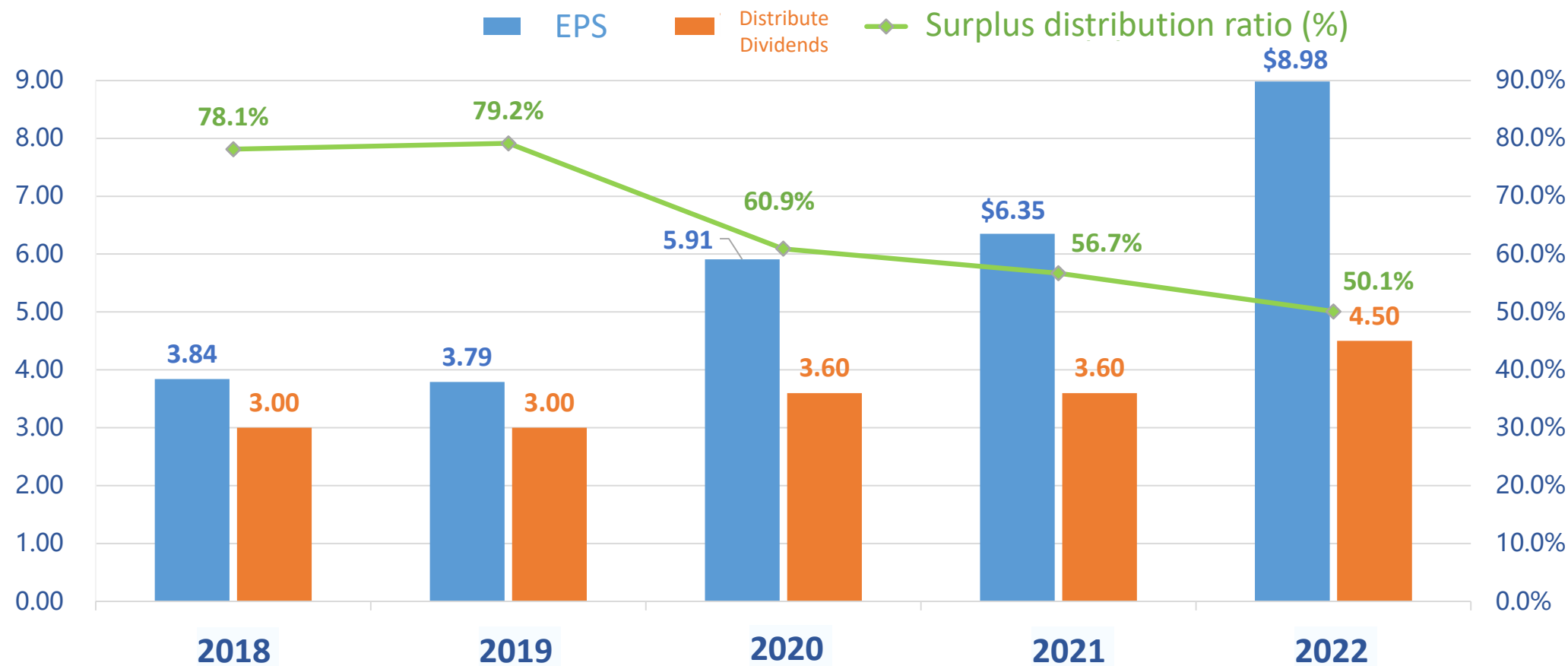
Item	1H, 2023	% of Revenue	1H, 2022	% of Revenue	YOY
Operating revenue	7,221,852	100.0%	5,003,006	1.0%	44.4%
Operating costs	6,391,769	88.5%	4,466,878	89.3%	43.1%
Gross profit from operations	830,083	11.5%	536,128	10.7%	54.8%
Operating expenses	163,510	2.3%	142,207	2.8%	15.0%
Net Operating Profit	666,573	9.2%	393,921	7.9%	69.2%
Net other comprehensive income	23,852	0.3%	(2,835)	-0.1%	941.3%
Net profit before tax	690,425	9.6%	391,086	7.8%	76.5%
Income tax expenses	158,790	2.2%	98,665	2.0%	60.9%
Net profit	531,635	7.4%	292,421	5.8%	81.8%
Net profit attributable to Owners of the parent company	531,635	7.4%	292,427	5.8%	81.8%
Basic earnings per share (NT\$)	\$4.56	-	\$2.51	-	81.7%

Financial Information for the Last Five Years

Unit: NT\$thousand

Item	2018	2019	2020	2021	2022
Operating revenue	11,429,192	11,462,442	14,130,629	10,772,322	14,204,563
Revenue growth rate (%)	36.6%	0.3%	23.3%	-23.8%	31.86%
Gross profit from operations	728,873	718,161	1,058,311	1,191,353	1,600,507
Gross profit margin (%)	6.4%	6.3%	7.5%	11.1%	11.3%
Net profit before tax	517,199	466,914	782,192	923,047	1,325,771
Earnings per share (NT\$)	\$3.84	\$3.79	\$5.91	\$6.35	\$8.98
Cash dividend (NT\$)	\$3.00	\$3.00	\$3.60	\$2.60	\$4.15
Stock dividend (NT\$)	-	-	-	\$1.00	\$0.35
Dividend Payout Ratio	78.1%	79.2%	60.9%	56.7%	50.1%

Dividend distributions for the past five years



Any third party may not arbitrarily access and use this presentation and its content without prior written consent from KEDGE.

Financial data - profitability

Item	2018	2019	2020	2021	2022	1H, 2023*
Return on assets (%)	6.02%	5.30%	7.10%	7.93%	9.98%	9.00%
Return on equity (%)	16.68%	15.26%	21.56%	22.51%	27.23%	25.23%
Ratio of pre-tax earning to paid in capital (%)	48.78%	47.15%	73.77%	87.05%	113.66%	118.39%
Net profit margin (%)	3.57%	3.51%	4.43%	6.87%	7.38%	7.36%
Price-to-earning ratio	7.10	9.92	8.32	7.11	5.73	7.92
* Converted to the same period						



5

Advantages and Development Strategies

- Any third party may not arbitrarily access and use this presentation and its content without prior written consent from KEDGE.

Sustainable Performance

Major achievements and sustainable performance in 2022



- Occupational safety: Taipei City Labor Safety Award, New Taipei City Award for Construction Safety
- Sustainability: TCSA Top100 Sustainable Model Corporation
- Inclusion: 1st place of Da-hsin Supervisor Award, Happy Enterprise Gold Award

E nvironment

3 construction projects

Won green building labels and candidate certificates

511 million

Green procurement amounted to up

2.6 ha

Woodland adoption took

21 sites

For the comprehensive GHG inventory

S ociety

10.66 thousand

Charitable donation

31%

Employee's salary rose by

26.34

hours/per year

Average employee educational hours

7.62 NTD

The Cycle of Goodness through Repair Project SORI

G overnance

14.205 billion

Consolidated revenue reaches

8.98 NTD

Consolidated EPS reaches

100%

Suppliers sign a sustainable commitment

89 points

Customer satisfaction reaches

Sustainable Performance

Major achievements and sustainable performance in 2022 and 2023



ESG Practice Highlights

Sustainable Public Works Office The most beautiful circular economy on the construction site

Issues to solve:

When the traditional linear economic model fails, the "circular economy," which aims for zero waste and reuses waste to create new value, has become the key for global governments and enterprises to overcome contemporary dilemma, strengthen energy conservation and carbon reduction, and move toward sustainable development.

The public works office is a fortress of engineering base and the starting point of building a sustainable city, which is rooted in building a circular economy through the practice of sustainable public works, showing and sharing the innovative energy of the construction industry in circular research and development.



ESG Practice Highlights

Combined occupational safety with technology, putting safety first

Issue to Solve

Our employees are our most valuable asset. In addition to creating a safe working environment through protective measures and standard procedures, identifying and preventing disasters is an important part of the personnel, and it is hoped that through digital means, colleagues can "empathize", thus enhancing their understanding of equipment operation and safety precautions.

- Together with the Taipei City Government and the Taoyuan City Government, we organize work safety monitoring activities and advocate for construction site safety and the creation of a diverse and inclusive work environment.
- By bridging on-site experience with cutting-edge technology, we merge BIM with the construction site, allowing us to simulate the steel structure hoisting process. This simulation can serve as a valuable training tool, allowing us to customize the training focus based on specific roles and tasks, ultimately enhancing the training's overall effectiveness.
- The generation of greenhouse gas activity data through BIM models provides decision makers with temperature emission estimates and helps formulate carbon reduction pathway strategies.



BIM combined with the application of GHG inventory and BIM steel engineering simulation hoisting



General Manager Yi-Fang, Huang was honored the co-president of the Construction Industry Occupational Safety and Health Promotion Co-President, and continued to invite peers to visit and work together to create a safer engineering environment through management experience sharing and conducting observation meetings.

ESG Practice Highlights

The "Kind-repair" Cycling Project make homes more fulfilling

Issue to solve

While there have been numerous donations of funds, materials, and other resources in rural areas over an extended period of time, the core issue of the living conditions for vulnerable families remains unresolved. This is primarily due to "the shortage of maintenance personnel".

- Our ESG functional team developed the "Kind-repair Cycling Project"; we applied our construction management expertise and focused on remote villages in Kaohsiung where building materials are difficult to transport and labor shortages are extreme. We partnered with the Sharing Social Welfare Foundation to provide one-hour repair services to five vulnerable families.
- In keeping with the concept of a "circular economy," we also recycled and reused the remaining building materials, electromechanical equipment, and furniture from the Southern Office, which will be scrapped in 2021. We also invited suppliers to participate. In addition to meeting the repair needs of disadvantaged families, we practiced the architectural concept of recycling.

Execution

Launched the plan and met with vulnerable households to understand their needs.

With the assistance of social workers from the Sharing Social Welfare Foundation, our repair team went to five case families in Maolin District, Liugui District, and Taoyuan District of Kaohsiung City and conducted on-site investigations and housing surveys. We recorded the needs of the case families in detail, and our sales and service team evaluated them to determine the repair method to be used.



Kedge's Sales and Service Department visits rural families to learn about housing conditions



Record the need of the disadvantaged families



Revisit and evaluate the condition with construction units

Liugui, Kaohsiung

Roof leak and damaged rain gutters

- Applied partial coverage overlay on the top plate (affected by leakage).
- Substituted original drip side-gutters with new white iron ones.
- Installed sealing plates on the sidewall.

Liugui, Kaohsiung

Roof leak and damaged rain gutters

- Replaced the iron roof
- Replaced the joist angles.

Taoyuan, Kaohsiung

No bathroom facilities (including toilets) in the house

- Integrated shower room (toilet + shower)
- Sewage and waste water disposal
- Additional lighting and water heater

Maolin, Kaohsiung

Water damage on walls

- Installed sealing plates at the rear opening of the top floor
- Applied waterproof coating to the external walls.
- Removed the efflorescence from the wall and repainted the wall

Maolin, Kaohsiung

Severely damaged wooden building

- Construction of additional toilets
- Increase space with container houses
- Air conditioning and pumping motor installed

Future Goal



成果影片

The "Kind-Repair Cycling Project" has been incubated since the end of 2021, and the repair of five case families was completed in 2022. In 2023, we will expand the project and welcome the participation of more stakeholders. As our construction sites are scattered throughout Taiwan, we will move toward the vision of "one construction site protects one family" in the future. At the same time, through the "Supplier Conference" held in 2023, we will continue to communicate the concept of the circular repair platform and invite suppliers to participate in the repair activities for remote villages, thus realizing the project vision of "Where there are roots, there will be no remote villages in Taiwan". In addition, this project has started to cooperate with "Taiwan Lezhi Charity Association" and will entrust some repair cases to their homeless repair team. We hope to empower the disadvantaged (homeless people), provide them with employment opportunities, and allow public welfare to "circulate" and expand.

ESG Practice Highlights

Social Inclusion

Adhering to the mission of "creating a better living environment to give back to the society", Kedge combines its core capabilities and operation strategies to develop professional and sustainable green engineering services on the road of sustainable operation, and at the same time strives to give back to the society.



Commitment



- Fulfilling the mission of "creating a better living environment to give back to society" : combining our own core capabilities and operating strategies to convey the fundamental essence of the enterprise.
- Continue to give back to the society. Through the "Kindom Yu Shan Education Foundation," we actively participate in social issues, showing gratitude to people and the environment, and expressing the warm care back to the society.
- Promote voluntary activities, actively perform the responsibility of corporate citizenship, and express warmth to the society, showing great care for the life and education of the disadvantaged



Results



- Total amount of donation in 2022

NT\$10,663,900



- Volunteer services: A total of **129** employees took part in activities during work-time and in spare time; the volunteer hours amounted to **531** hours.

End of Report, Thank you



根基營造股份有限公司
KEDGE CONSTRUCTION CO.,LTD.