

KUO TOONG INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
WITH
REPORT OF INDEPENDENT AUDITORS

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors' Report Translated from Chinese

To KUO TOONG INTERNATIONAL CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of KUO TOONG INTERNATIONAL CO., LTD. (the “Company”) as of December 31 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2020, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2020, and its financial performance and cash flows for the years ended 31 December 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Operating Revenue

For the year ended 31 December 2020, the Company's public work construction revenue amounted to NT\$705,835 thousand, and constituted 50% of total asset, and is significant to parent company only financial statements. Because the recognition of revenue from construction contracts of this type involves significant estimates and judgments, such as the estimation of the total cost of the construction contract, degree of contract completion, the variable consideration of contracts, and the recognition of onerous contract losses, therefore we determined this as a key audit matter.

Our audit procedures included assessing the timing and accuracy regarding the recognition of construction revenues and costs; selecting samples of significant contracts and interviewing with management to understand the specific clauses involving recognition of revenue in each significant contract; selecting samples to test the rationality of total cost of contracts, the degree of completion of contracts, the reasonableness of the variable consideration of contracts and onerous contract losses; testing the project evaluation and valuation procedures, and verifying and reconciling with the general ledger to assess whether the recognition of project contract revenue and cost meets the relevant accounting standards.

We also assessed the adequacy of disclosures of public work construction revenue. Please refer to Notes V and VI to the Company's parent company only financial statements.

2. Contingent Liabilities – Fines to Overdue Construction

Kuo Toong Company's main business operations include engineering contracts signed with customers. The possible fines for overdue projects involve significant estimates and judgments, therefore, they are considered key audit matters.

Our audit procedures included selecting samples of significant contracts and interviewing with management to understand the clauses of breach of contract regarding overdue construction; reviewing the communication documents between the Company and the owners and the mediation meeting minutes from authorities, and reviewing the management's assessment documents and the lawyers' opinions on major disputes to assess whether the Company disclosed contingent liabilities appropriately.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters- Audited By Other Auditors In Previous Period

We have not audited the accompanying parent company only balance sheets of the Company as of 31 December 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies. The Company's parent company only financial statements were audited by other auditors, and issued an unqualified auditor's report as of 31 March 2019.

Huang, Shih-Chieh

Lee, Fang-Wen

Ernst & Young, Taiwan
30 March 2021

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS

31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2020	31 Dec. 2019
Current Assets			
Cash and cash equivalents	IV/VI.1	\$95,447	\$112,816
Financial assets at measured amortised cost-current	IV/VI.3、20/VIII	374,045	259,802
Current contract assets	IV/VI.19、20	698,377	674,744
Notes receivable-net	IV/VI.4、20	5,572	6,045
Accounts receivable-net	IV/VI.5、20	189,206	9,135
Accounts receivable - related parties -net	IV/VI.5/VII	1,527,974	1,475,278
Other receivables	IV/VI.6	3,506	2,780
Other receivables -related parties	IV/VI.6/VIII	24,851	31,697
Inventories-net	IV/VI.7	213,514	205,874
Other current assets	IV/VI.8/VII	37,887	45,312
Construction deposit paid		58,855	69,467
Total current assets		3,229,234	2,892,950
Non-current assets			
Financial assets at fair value through other comprehensive income-noncurrent	IV/VI.2	95,025	88,342
Financial assets at measured amortised cost-non-current	IV/VI.3、20/VIII	79,705	92,715
Investments accounted for under equity method	IV/VI.9	2,957,217	3,020,102
Property, plant and equipment	IV/VI.10/VIII	354,577	357,765
Intangible assets	IV/VI.11	466	1,172
Deferred tax assets	IV/VI.24	35,346	55,186
Guarantee deposits paid	VIII	16,128	24,503
Long-term receivables	VI.5/VIII	426,943	426,943
Other non-current assets -others	IV/VI.8	12,418	22,955
Total non-current assets		3,977,825	4,089,683
Total Assets		\$7,207,059	\$6,982,633

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese
 KUO TOONG INTERNATIONAL CO., LTD.
 PARENT COMPANY ONLY BALANCE SHEETS
 31 December 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2020	31 Dec. 2019
Current liabilities			
Short-term loans	IV/VI.12/VII	\$1,123,967	\$956,135
Short-term notes payable	IV/VI.13	9,976	9,997
Contract liabilities-current	IV/VI.19	200,716	242,977
Notes payable		70,305	74,821
Accounts payable		422,560	398,231
Accounts payable -related parties	VII	931	10,052
Other payables	VI.14	159,360	61,264
Other payables - related parties	VI.14/VII	8,894	31,202
Current tax liabilities	IV/VI.24	-	5,896
Long-term loans due within one year or one business cycle	IV/VI.16/VII	80,021	158,455
Other current liabilities - others		126,056	146,443
Total current liabilities		2,202,786	2,095,473
Non-current liabilities			
Bonds payable	IV/VI.15	249,755	249,559
Long-term loans	IV/VI.16	136,223	92,329
Deferred tax liabilities	IV/VI.24	125,946	122,269
Net defined benefit liabilities - non current	IV/VI.17	43,522	21,778
Refundable deposits received		25,179	25,938
Total non-current liabilities		580,625	511,873
Total liabilities		2,783,411	2,607,346
Equity attributable to the parent company			
Capital	IV/VI.18		
Common stock		2,480,782	2,492,242
Capital surplus	IV/VI.18	1,470,181	1,478,537
Retained earnings	IV/VI.18		
Legal reserve		345,099	326,197
Special reserve		267,662	148,236
Unappropriated earnings		101,677	197,737
Subtotal		714,438	672,170
Other equity	IV/VI.23		
Exchange differences resulting from translating the financial statements of a foreign operations		(142,386)	(161,612)
Unrealized (profit) and loss of financial assets measured at fair value through other comprehensive income		(99,367)	(106,050)
Subtotal		(241,753)	(267,662)
Total equity		4,423,648	4,375,287
Total liabilities and equity		\$7,207,059	\$6,982,633

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese
 KUO TOONG INTERNATIONAL CO., LTD.
 PARENT COMPANY ONLY OF COMPREHENSIVE INCOME
 For the years ended 31 December 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

ITEMS	Notes	2020	2019
Operating revenues	IV/VL.19	\$1,400,128	\$1,512,684
Operating costs	IV/VL.6、11、21/VII	(1,102,808)	(1,252,150)
Gross profit		297,320	260,534
Unrealized gross profit on sales		(94,732)	(24,341)
Realized gross profit on sales		104,907	26,291
Gross profit-net		307,495	262,484
Operating expenses	IV/VL.11、21/VII		
Sales and marketing expenses		(6,332)	(6,646)
General and administrative expenses		(71,646)	(77,689)
Research and development expenses		(10,221)	(6,377)
Expected credit impairment (losses) profit	IV/VL.20	1,367	(36,636)
Subtotal		(86,832)	(127,348)
Operating income		220,663	135,136
Non-operating income and expenses			
Other revenue	VI.22	27,858	25,663
Other gain and loss	VI.22	(8,679)	(11,484)
Financial costs	VI.22	(25,882)	(33,390)
Share of profit or loss of associates and joint ventures	IV/VL.9	(57,921)	65,572
Subtotal		(64,624)	46,361
Income from continuing operations before income tax		156,039	181,497
Income tax expense	IV/VL.24	(30,968)	10,980
Net income		125,071	192,477
Other comprehensive income (lose)	IV/VL.23		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plan		(31,851)	(4,320)
Unrealized loss on investments in equity instruments at fair value through other comprehensive income		6,683	(38,277)
The share of other comprehensive profits and losses of subsidiaries, affiliates and joint ventures recognized using the equity method-items not reclassified to profits and losses		-	(34,017)
Income tax related to items that may not be reclassified subsequently		6,370	864
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operations		19,226	(47,132)
Total other comprehensive income, net of tax		428	(122,882)
Total comprehensive income		\$125,499	\$69,595
Earnings per share (NTD)			
Earnings per share-basic	IV/VL.25	\$0.50	\$0.81
Earnings per share-diluted	IV/VL.25	\$0.50	\$0.81

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese
KUO TOONG INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

ITEMS	Common Stock	Capital surplus	Retained earnings			Other equity		Treasury Stock	Total Equity
			Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translating the financial statements of a foreign operations	Unrealized gain (Loss) on financial assets at fair value through other comprehensive income		
Balance as of 1 January 2019	\$2,258,366	\$1,307,802	\$307,397	\$44,213	\$187,999	\$(114,480)	\$(33,756)	\$-	\$3,957,541
Appropriation and distribution of 2018 retained earning									
Legal Reserve	-	-	18,800	-	(18,800)	-	-	-	-
Special Reserve	-	-	-	104,023	(104,023)	-	-	-	-
Cash dividends	-	-	-	-	(22,584)	-	-	-	(22,584)
Stock Dividends	33,876	-	-	-	(33,876)	-	-	-	(33,876)
								-	-
Net income for the year ended 31 December 2019	-	-	-	-	192,477	-	-	-	192,477
Other comprehensive income, net of tax for the year ended 31 December 2019	-	-	-	-	(3,456)	(47,132)	(72,294)	-	(122,882)
Total comprehensive income	-	-	-	-	189,021	(47,132)	(72,294)	-	69,595
Cash issuance	200,000	168,251	-	-	-	-	-	-	168,251
Changes in ownership interests in subsidiaries	-	(36)	-	-	-	-	-	-	(36)
Trade of Share-based payment	-	2,520	-	-	-	-	-	-	2,520
Balance as of 31 December 2019	<u>\$2,492,242</u>	<u>\$1,478,537</u>	<u>\$326,197</u>	<u>\$148,236</u>	<u>\$197,737</u>	<u>\$(161,612)</u>	<u>\$(106,050)</u>	<u>\$0</u>	<u>\$4,375,287</u>
Balance as of 1 January 2020	\$2,492,242	\$1,478,537	\$326,197	\$148,236	\$197,737	\$(161,612)	\$(106,050)	\$-	\$4,375,287
Appropriation and distribution of 2019 retained earning									
Legal Reserve	-	-	18,902	-	(18,902)	-	-	-	-
Special Reserve	-	-	-	119,426	(119,426)	-	-	-	-
Cash dividends	-	-	-	-	(57,322)	-	-	-	(57,322)
Net income for the year ended 31 December 2020	-	-	-	-	125,071	-	-	-	125,071
Other comprehensive income, net of tax for the year ended 31 December 2020	-	-	-	-	(25,481)	19,226	6,683	-	428
Total comprehensive income	-	-	-	-	99,590	19,226	6,683	-	125,499
Treasury stock acquired	-	-	-	-	-	-	-	(19,816)	(19,816)
Treasury stock retired	(11,460)	(8,356)	-	-	-	-	-	19,816	-
Balance as of 31 December 2020	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$345,099</u>	<u>\$267,662</u>	<u>\$101,677</u>	<u>\$(142,386)</u>	<u>\$(99,367)</u>	<u>\$-</u>	<u>\$4,423,648</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese
 KUO TOONG INTERNATIONAL CO., LTD.
 PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
 For the year ended 31 December 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

ITEMS	2020	2019	ITEMS	2020	2019
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$156,039	\$181,497	Disposal of financial assets at amortised cost	(101,233)	(85,652)
Adjustments for:			Acquisition of equity investments under equity method	-	(5,000)
Income and expense adjustments:			Disposal of equity investments under equity method	38	-
Depreciation	47,766	55,419	Acquisition of property, plant and equipment	(31,011)	(2,281)
Amortization	706	390	Disposal of property, plant and equipment	17,260	12
Expected credit impairment (Gain) losses	(1,367)	36,636	Decrease(Increase) in refundable deposits	18,987	(15,138)
Interest expense	25,882	33,390	Acquisition of intangible assets	-	(858)
Interest revenue	(24,610)	(21,308)	Increase of other non-current financial assets	10,537	(9,592)
Share-based compensation cost	-	2,520	Dividends received	294	49,484
Share of losses(profit) of subsidiaries, associates and joint ventures recognized by the equity method	57,921	(65,572)	Net cash flow from investing activities	(85,128)	(69,025)
(Gain) on disposal of property, plant and equipment	(6,014)	(12)			
Losses on disposal of investments accounted for under equity method	12	-	Cash flows from financing activities:		
Impairment loss on non-financial assets	35,799	13,067	Increase in short-term loans	1,617,175	1,512,950
Unrealized gross profit	95,732	24,341	Decrease in short-term loans	(1,424,873)	(1,695,835)
Realized gross profit	(104,907)	(26,291)	Decrease in short-term notes payable	(24)	(3)
Unrealized foreign currency exchange gains	(24,470)	(6,774)	Bonds payable	-	249,413
Income and expense adjustments	102,450	45,806	Increase in long-term loans	154,900	230,000
Changes in operating assets and liabilities:			Decrease in long-term loans	(189,440)	(132,941)
Contract assets	(23,633)	(18,286)	Decrease in deposits received	(759)	(1,011)
Notes receivable-net	473	(6,041)	Payments of lease liabilities	-	(49,192)
Accounts receivable-net	(178,704)	(220)	Cash dividends	(57,322)	(22,584)
Accounts receivable- related parties -net	(52,696)	(418,210)	Cash issuance	-	368,251
Other receivables	(726)	(862)	Treasury stock buyback cost	(19,816)	-
Other receivables - related parties	6,846	64,020	Disposal of the equity of the subsidiary company (without loss of control)	-	(36)
Inventories	(17,790)	9,874	Net cash used in financing activities	79,841	459,012
Other current assets	(5,837)	(15,239)			
Contract liabilities	(42,261)	(186,861)	Net (decrease) in cash and cash equivalents	(16,369)	(115,743)
Notes payable	(4,516)	(39,611)	Cash and cash equivalents at beginning of period	112,816	228,559
Accounts payable	24,329	(148,425)	Cash and cash equivalents at end of period	\$96,447	\$112,816
Accounts payable - related parties	(9,121)	(34,746)			
Other payables	97,974	(1,528)			
Other payables - related parties	(22,308)	15,693			
Other current liabilities	(20,387)	19,737			
Accrued pension liabilities	(10,107)	(2,340)			
Cash generated from operations	25	(535,742)			
Interest received	21,433	10,113			
Interests paid	(25,561)	(33,089)			
Income tax paid	(6,979)	52,988			
Net cash provided by operating activities	(11,082)	(505,730)			

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese
KUO TOONG INTERNATIONAL CO., LTD.
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
31 December 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

I. HISTORY AND ORGANIZATION

1. KUO TOONG INTERNATIONAL CO., LTD.(the “Company”) was incorporated in July 1978.The Company's main business is manufacturing and trading various prestressed concrete pipes, straight steel pipes, propelling steel pipes, ductile iron pipes, cement products, spare parts, assembling and embedding of various water pipes, spare parts, and precision chemical material manufacturing.
2. The Company became an over-the-counter company on Taiwan Stock Exchange on 9 September 2002.

II. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Company for the years ended 31 December 2020 and 2019 were authorized for issue in accordance with a resolution of the Board of directors on 30 March 2021.

III. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Company.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

- (a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023

- (a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- A. Estimates of future cash flows;
- B. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- C. A risk adjustment for non-financial risk.

The carrying amount of a Company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under, it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The financial statements of the Company for the years ended 31 December 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of preparation

The Company prepares individual financial reports in accordance with the standards for the preparation of financial reports for securities issuers. According to Article 21 of the Securities Issuer's Financial Report Preparation Standards, the current profit and loss and other comprehensive profit and loss of the individual financial report are the same as the current profit and loss and other comprehensive profit and loss in the financial report prepared on a consolidated basis attributable to the owners of the parent company. The equity of the owners of the financial report is the same as the equity attributable to the owners of the parent company in the financial report prepared on the basis of the merger. Therefore, investment subsidiaries are expressed in individual financial reports as "investments using the equity method", and necessary evaluation adjustments are made.

The financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

3. Foreign currency transactions

The Company's financial statements are presented in NT\$, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (2) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

- (3) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

4. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

5. Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Company's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

(2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(4) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

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. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments*.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

(5) Offsetting of financial instrument

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

8. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost under weighted-average cost

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

10. Investments accounted for using the equity method

The Company's investment in subsidiaries is based on the Article 21 of the Securities Issuer's Financial Report Preparation Standards, expressed as "investments using the equity method" and made necessary evaluation adjustments to enable individual financial reporting of the current period's profit and loss and other comprehensive gains and losses. The current profit and loss and other comprehensive gains and losses in the financial report prepared on the basis of the merger are the same as the share of the owners of the parent company, and the owner's equity of the individual financial report is the same as the equity of the owners of the parent company in the financial report prepared on the basis of the merger. These adjustments are mainly due to the consideration of the treatment of the consolidated financial statements of the investment subsidiary in accordance with IFRS No. 10 "Consolidated Financial Statements" and the differences in the application of IFRS at different levels of reporting entities, and debits or credits to "adopt equity Subjects such as "Investment under the law", "Share of profits and losses of subsidiaries, affiliates and joint ventures using the equity method" or "Share of other comprehensive profits and losses of subsidiaries, affiliates and joint ventures using the equity method".

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture, the entity continues to apply the equity method and does not remeasure the retained interest.

11. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	3~55 years
Machinery and equipment	2~20 years
Testing equipment	2~8 years
Utility Equipment	2~15 years
Transportation equipment	2~7 years
Office equipment	3~8 years
Miscellaneous equipment	2~20 years
Land improvements	2~20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

12. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 10 years).

13. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

14. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

15. Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Company manufactures and sells merchandise. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company are prestressed concrete pipes and ductile iron pipes etc. Revenue from sales is based on the price specified in the contract.

The credit period of the Company's merchandise sales transaction is usually set in accordance with the contract, most of the contracts recognize the accounts receivable when the control of goods is transferred and the unconditional right to receive the consideration is recognized. Such accounts receivable usually have a short period and has no significant financial components.

Construction contract

The Company is engaged in the contracting business of public works. Since the assets are controlled by the customer at the time of construction, the revenue is gradually recognized over time based on the proportion of the project cost incurred to date in the estimated total contract cost. The contract includes fixed and variable consideration. The customer pays a fixed amount of money according to the agreed schedule. Certain changes in consideration (such as fines and price adjustment subsidies calculated on the basis of the number of overdue days) are estimated at the most probable amount. The Company only recognizes income within the range where the accumulated income is highly likely to not undergo a major turnaround. If the amount of recognized income has not been requested, it is recognized as contract assets. When there is an unconditional right to the consideration, the contract assets are transferred to accounts receivable. However, there are some contracts, because part of the consideration is first charged to the customer when signing the contract.

The company assumes the obligation to provide labor services in the future, so it is recognized as a contract liability.

If it is impossible to reasonably measure the degree of completion of the performance obligations of the construction contract, the contract revenue is only recognized within the range of expected recoverable costs.

When the company expects that the unavoidable cost of fulfilling the obligations of an engineering contract exceeds the expected economic benefits from the contract, it shall recognize the liability provision for the onerous contract.

If the situation changes, the estimates of revenue, cost and completion level will be revised, and the resulting increase or decrease will be reflected in the profit and loss during the period when the management is aware of the change of the situation and make corrections.

16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

17. Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (1) the date of the plan amendment or curtailment, and
- (2) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

18. Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

19. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

V. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Revenue recognition

The recognition of the company's construction contract profit and loss is based on the completion of the contract activities to recognize the contract revenue and contract costs respectively, and the completion degree is measured by the ratio of the contract costs incurred so far to the estimated total contract costs. The company considers the nature of each project, estimated construction period, project, construction process, construction method and estimated contract amount to estimate the total contract cost. Any changes in the above estimation basis may cause a significant adjustment of the estimated amount.

(2) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note XII for more details.

(3) Trade receivables—estimation of impairment loss

The Company estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note VI for more details.

(4) Inventory Valuation

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note VI for more details.

(5) Impairment of Non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. For further explanation, please refer to Note VI.

(6) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(7) Provision

Provision for litigation compensation is estimated by pending litigation that is likely to produce unfavorable results to the Company and the amount of loss can be reasonably estimated. However, due to the relatively high uncertainty of the litigation itself, the actual compensation amount or asset impairment caused by the impact of the final result may be materially different from the estimation.

VI. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

	31 Dec. 2020	31 Dec. 2019
Cash on hand	\$2,138	\$2,300
Check Deposit	1,197	297
Saving Account	92,112	110,219
Total	<u>\$95,447</u>	<u>\$112,816</u>

2. Financial assets at fair value through other comprehensive income

	31 Dec. 2020	31 Dec. 2019
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies' stock	<u>\$95,025</u>	<u>\$88,342</u>

The Company classified certain of its financial assets at fair value through other comprehensive income were not pledged.

For equity instrument investments measured at fair value through other comprehensive income, the Company did not recognize dividends for the years ended 31 December 2020 and 2019.

3. Financial assets measured at amortized cost

	31 Dec. 2020	31 Dec. 2019
Time Deposits	\$131,279	\$95,300
Saving Account	322,471	257,217
Total	<u>\$453,750</u>	<u>\$352,517</u>
Current	\$374,045	\$259,802
Non-current	79,705	92,715
Total	<u>\$453,750</u>	<u>\$352,517</u>

The Company classified certain financial assets as financial assets measured at amortized cost.

Please refer to Note VI (20) for more details on loss allowance and Note VIII for more details on financial assets measured at amortized cost under pledge. Please refer to Note XII for more details on credit risk.

4. Notes receivables

	31 Dec. 2020	31 Dec. 2019
Notes receivables	\$5,572	\$6,045
Less: allowance for doubtful accounts	-	-
Total	<u>\$5,572</u>	<u>\$6,045</u>

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment . Please refer to Note VI (20) for more details on accumulated impairment and Note XII for details on credit risk.

5. Accounts Receivable and Long-term Receivable

	31 Dec. 2020	31 Dec. 2019
Accounts Receivable	\$196,599	\$17,895
Long-term receivable	426,943	426,943
Less: allowance for doubtful accounts	(7,393)	(8,760)
Subtotal	<u>616,149</u>	<u>436,078</u>
Accounts receivable from related parties	1,527,974	1,475,278
Less: allowance for doubtful accounts	-	-
Subtotal	<u>1,527,974</u>	<u>1,475,278</u>
Total	<u>\$2,144,123</u>	<u>\$1,911,356</u>
Current(Recognized as accounts receivable - net)	\$1,717,180	\$1,484,413
Non-current(Recognized as long term accounts receivable)	426,943	426,943
Total	<u>\$2,144,123</u>	<u>\$1,911,356</u>

Please refer to Note VIII for more details on accounts receivable under pledge.

Accounts receivables are generally regulated by contracts. Account receivable amounted to NT\$2,151,516 thousand and NT\$1,920,116 thousand, as at 31 December 2020 and 2019. Please refer to Note VI(20) for more details on impairment of trade receivables for the years ended 31 December 2020 and 2019 and please refer to Note XII for credit risk disclosure.

6. Other receivables

	31 Dec. 2020	31 Dec. 2019
Other receivables	\$42,010	\$41,284
Less: allowance for doubtful accounts	(38,504)	(38,504)
Subtotal	3,506	2,780
Other receivables from related parties	24,851	31,697
Less: allowance for doubtful accounts	-	-
Subtotal	24,851	31,697
Total	\$28,357	\$34,477

Information on changes of loss allowance for other receivables for the years ended 31 December 2020 and 2019 are as follows:

	Other Receivable
1 Jan. 2020	\$38,504
Increase in other receivable	-
Write-off due to uncollectible	-
31 Dec. 2020	\$38,504
1 Jan. 2019	\$3,867
Increase in other receivable	36,636
Write-off due to uncollectible	(1,999)
31 Dec. 2019	\$38,504

7. Inventories

	31 Dec. 2020	31 Dec. 2019
Raw materials	\$33,147	\$29,978
Work in progress	89,655	125,069
Finished goods	90,712	50,827
Total	\$213,514	\$205,874

The cost of inventories recognized in expenses amounted to NT\$473,241 thousand and NT\$295,635 thousand for the years ended 31 December 2020 and 2019, respectively, including the write-down of inventories gains from price loss of NT\$4,567 thousand and NT\$6,112 thousand, respectively.

No inventories were pledged.

8. Other current asset and other non-current assets

	31 Dec. 2020	31 Dec. 2019
Prepayments	\$26,526	\$33,529
Others	23,779	34,738
Total	<u>\$50,305</u>	<u>\$68,267</u>
Current	\$37,887	\$45,312
Non-current	12,418	22,955
Total	<u>\$50,305</u>	<u>\$68,267</u>

(1) Prepayments include prepayments for construction, purchase payments and prepayments for various business expenses.

(2) Other advance payments are for pavement construction fees, temporary project miscellaneous expenses, and subcontracted projects, etc.

9. Investments Accounted For Under The Equity Method

The following table lists the investments accounted for using the equity method of the Company:

Investees	31 Dec. 2020		31 Dec. 2019	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates				
Kuo Toong International LLC.	\$629,355	100.00%	\$621,910	100.00%
Xiyu Seawater Desalination Co., Ltd.	13,318	100.00%	35,272	100.00%
Jie Mao International Co., Ltd.	84,987	100.00%	66,176	100.00%
Jianyi Construction Co., Ltd.	148,651	100.00%	183,837	100.00%
Kuo Hsin Technology Co., Ltd.	67,799	73.60%	114,593	73.60%
Dinteng Co, Ltd.	1,511,052	50.50%	1,447,310	50.50%
Fujian Tai Ming Casting Pipes Technology Co, Ltd.	499,566	43.57%	548,810	43.57%
Marvel Line Co., Ltd.	2,489	0.76%	2,144	0.76%
Mega Resource Co., Ltd.	-	(Note)	50	100.00%
Total	<u>\$2,957,217</u>		<u>\$3,020,102</u>	

- (1) The liquidation of Mega Resource Co., Ltd. has been completed in 24 June 2020.
- (2) Xiyu Seawater Desalination Co., Ltd. issued 500 thousand new shares with a cash capital increase on 16 September 2019. The company acquired 500 thousand shares at a price of 5,000 thousand. The shareholding ratio of Xiyu Seawater Desalination Co., Ltd. remains unchanged.
- (3) In July 2012, the company generated goodwill due to the acquisition of 100% equity of Jianyi Construction Co., Ltd., which was mainly derived from the expected merger synergy, revenue growth and future market development. No.36 stipulates that for business combination to obtain goodwill, at least an impairment test shall be conducted every year. When the impairment test is performed, the goodwill is related to the cash-generating unit of Jianyi Construction Co., Ltd. The impairment of goodwill is calculated by calculating the cash-generating unit. The recovery amount and the book value of the net assets are assessed whether impairment is required. As Jianyi Construction Co., Ltd. failed to obtain the project bid, the actual operating income growth was not as expected. Therefore, the company and the outsourced independent evaluation experts evaluated the recoverable amount of the cash-generating unit in the Republic of China in 2020 and 2019. It is less than the book amount, so the impairment loss of goodwill of NT\$34,021 thousand and NT\$13,067 thousand are recognized respectively.
- (4) The above-mentioned subsidiaries will pay NT\$294 thousand and NT\$49,484 thousand in cash dividends to the company as of 31 December 2020 and 2019, respectively.
- (5) For information on the company's consolidated subsidiaries, please also refer to the company's 2020 consolidated financial statements.

Investment subsidiaries

The investment of subsidiaries in individual financial reports is expressed as "investments using the equity method" and necessary evaluation adjustments are made.

10. Property, plant and equipment

	31 Dec. 2020	31 Dec. 2019
Owner occupied property, plant and equipment	\$354,577	\$357,765

Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Other Equipment	Construction in progress	Total
Cost:						
1 Jan. 2020	\$106,322	\$188,973	\$794,285	\$104,670	\$6,894	\$1,201,144
Additions	-	595	25,725	2,540	2,151	31,011
Disposals	-	(9,836)	(15,591)	(1,666)	(18)	(27,111)
Other	-	320	30,611	-	(4,340)	26,591
31 Dec. 2020	<u>\$106,322</u>	<u>\$180,052</u>	<u>\$835,030</u>	<u>\$105,544</u>	<u>\$4,687</u>	<u>\$1,231,635</u>
1 Jan. 2019	\$106,322	\$185,127	\$793,718	\$107,252	\$6,646	\$1,199,065
Additions	-	155	575	380	3,923	5,033
Disposals	-	-	-	(2,962)	-	(2,962)
Other	-	3,691	(8)	-	(3,675)	8
31 Dec. 2019	<u>\$106,322</u>	<u>\$188,973</u>	<u>\$794,285</u>	<u>\$104,670</u>	<u>\$6,894</u>	<u>\$1,201,144</u>
Depreciation and impairment						
1 Jan. 2020	\$-	\$111,183	\$657,419	\$74,777	\$-	\$843,379
Depreciation	-	7,766	35,706	4,294	-	47,766
Impairment loss	-	-	-	1,778	-	1,778
Disposals	-	(1,748)	(13,087)	(1,030)	-	(15,865)
31 Dec. 2020	<u>\$-</u>	<u>\$117,201</u>	<u>\$680,038</u>	<u>\$79,819</u>	<u>\$-</u>	<u>\$877,058</u>
1 Jan. 2019	\$-	\$104,247	\$613,174	\$73,501	\$-	\$790,922
Depreciation	-	6,936	44,245	4,238	-	55,419
Impairment loss	-	-	-	(2,962)	-	(2,962)
Disposals	-	-	-	-	-	-
31 Dec. 2019	<u>\$-</u>	<u>\$111,183</u>	<u>\$657,419</u>	<u>\$74,777</u>	<u>\$-</u>	<u>\$843,379</u>
Net book value:						
31 Dec. 2020	<u>\$106,322</u>	<u>\$62,851</u>	<u>\$154,992</u>	<u>\$25,725</u>	<u>\$4,687</u>	<u>\$354,577</u>
31 Dec. 2019	<u>\$106,322</u>	<u>\$77,790</u>	<u>\$136,866</u>	<u>\$29,893</u>	<u>\$6,894</u>	<u>\$357,765</u>

Refer to Note VIII for details of guarantees for property, plant and equipment.

11. Intangible assets

	Computer software
Cost:	
1 Jan. 2020	\$3,420
Addition - acquired separately	-
31 Dec. 2020	\$3,420
1 Jan. 2019	\$2,562
Addition - acquired separately	858
31 Dec. 2019	\$3,420
Amortization and Impairment:	
1 Jan. 2020	\$2,248
Amortization	706
31 Dec. 2020	\$2,954
1 Jan. 2019	\$1,858
Amortization	390
31 Dec. 2019	\$2,248
Net book value:	
31 Dec. 2020	\$466
31 Dec. 2019	\$1,172

Intangible assets amortization are as follows:

	2020	2019
Included in cost of goods sold:	\$69	\$69
Included in operating expenses:	637	321
Total	\$706	\$390

No intangible assets was pledged.

12. Short-term Loans

	Interest rates	31 Dec. 2020	31 Dec. 2019
Secured bank loans	1.7%~2.08%	\$1,123,967	\$956,135

Secured bank loans are pledged with asset mortgage. Please refer to Note VIII for the detail of the assets pledged as collateral.

13. Short-term notes payable

The Company's net short-term notes are as follows:

	31 Dec. 2020	31 Dec. 2019
Commercial papers payable	\$10,000	\$10,000
Less: Discount of commercial paper payable	(24)	(3)
Total	<u>\$9,976</u>	<u>\$9,997</u>

Please refer to Note VIII for more details on assets pledged as security for short-term notes payable.

14. Other payable

	31 Dec. 2020	31 Dec. 2019
Salaries Payable	\$26,271	\$24,585
Other expenses payable	46,518	29,146
Equipment payments payable	318	5,131
Other payable – related parties	8,894	31,202
Other payable - others	86,253	2,402
Total	<u>\$168,254</u>	<u>\$92,466</u>

15. Bonds payable

	31 Dec. 2020	31 Dec. 2019
Secured and non-convertible bonds	\$250,000	\$250,000
Less: Discount of bonds payable	(245)	(441)
Net	<u>\$249,755</u>	<u>\$249,559</u>

(1) On 2 April 2019, the Company issued secured corporate bond amounted to NT\$250,000 thousand par rate of 0.78%. The issuance period is from 2 April 2019 to 3 April 2022.

(2) Please refer to Note VI(22) for the interests expenses on bonds payable.

16. Long-term Loans

Details are as follows:

Creditors	31 Dec. 2020	Interest rate (Note)	Redemption
Export–Import Bank Secured Loan	\$46,634		From 31 October 2018 to 31 October 2022. The grace period is 18 months. The principal shall be repaid by amortization evenly every 6 months after the grace period, and interest is paid monthly.
FCB Leasing Co., Ltd. Credit Loan	20,827		From 6 June 2019 to 6 May 2021, interest was paid on a monthly basis and principal was repaid at maturity.
Taichung Bank Leasing Co., Ltd. Credit Loan	2,869		From 9 August 2019 to 9 January 2021, repayment began on 9 August 2019, amortized and interest paid monthly.
Shanghai Commercial Bank Secured Loan	22,000		From 20 December 2019 to 20 September 2023, repayment began on 20 January 2020, amortized and interest paid monthly.
Taiwan Cooperative Bank Secured Loan	82,250		From 14 August 2020 to 14 August 2023, interest will be paid on a monthly basis and will be deducted at 30% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
FCB Leasing Co., Ltd. Credit Loan	41,664		From 3 September 2020 to 3 August 2022, interest was paid on a monthly basis and principal was repaid at maturity.
Subtotal	216,244		
Less: current portion	(80,021)		
Total	<u>\$136,223</u>		

Note: Interest rate range is between 1.65%~4.5%.

Creditors	31 Dec. 2019	Interest rate (Note)	Redemption
Export–Import Bank Credit Loan	\$24,000		From 25 January 2017 to 25 January 2020, the grace period is 12 months, the principal shall be amortized evenly every 6 months, and interest is paid monthly.
Export–Import Bank Secured Loan	69,950		From 31 October 2018 to 31 October 2022, the grace period is 18 months, the principal shall be amortized evenly every 6 months, and interest is paid monthly.
Jih Sun Leasing Co., Ltd. Credit Loan	19,540		From 29 April 2019 to 29 June 2020, repayment began on 29 April 2019, amortized and interest paid monthly.
FCB Leasing Co., Ltd. Credit Loan	70,830		From 6 June 2019 to 6 May 2021, amortized and interest paid monthly.
Taichung Bank Leasing Co., Ltd. Credit Loan	36,464		From 9 August 2019 to 9 January 2021, repayment began on 9 August 2019, amortized and interest paid monthly.
Shanghai Commercial Bank Secured Loan	30,000		From 20 December 2019 to 20 September 2023, repayment began on 20 January 2020, amortized and interest paid monthly.
Subtotal	250,784		
Less: current portion	(158,455)		
Total	<u>\$92,329</u>		

Note: Interest rate range is from 1.89%~4.69%.

Please refer to Note VIII for more details on long-term borrowings under pledge.

17. Post-Employment Benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2020 and 2019 are NT\$4,593 thousand and NT\$4,107 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% ~ 3% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before end of each year, the Company makes estimates of the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Company will make up the difference in one appropriation before the end of March of the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regards to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$822 thousand to its defined benefit plan during the 12 months beginning after 31 December 2020.

The defined benefit obligations were expected to mature in 2029 as of 31 December 2020 and 2019, respectively.

Pension costs recognized in profit or loss for the years ended 31 December 2020 and 2019:

	2020	2019
Current service costs	\$764	\$796
Net interest on the Net Defined Benefit Liability(Asset)	145	216
Total	<u>\$909</u>	<u>\$1,012</u>

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Defined benefit obligation	\$78,732	\$56,163	\$54,076
Plan assets at fair value	(35,210)	(34,385)	(29,958)
Net defined benefit liabilities	<u>\$43,522</u>	<u>\$21,778</u>	<u>\$24,118</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As at 1 Jan. 2019	\$54,076	\$(29,958)	\$24,118
The Cost of Defined Benefit Plan recognized to Profit and Loss:			
Current service cost	796	-	796
Interest expense (income)	491	(275)	216
Subtotal	55,363	(30,233)	25,130
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	1,274	-	1,274
Experience adjustments	4,145	-	4,145
Remeasurements of the defined benefit assets	-	(1,099)	(1,099)
Subtotal	5,419	(1,099)	4,320
Payment of benefit obligation	(4,619)	4,619	-
Contributions by employer	-	(7,672)	(7,672)
As at 31 Dec. 2019	56,163	(34,385)	21,778
The cost of defined benefit plan recognized in profit and loss:			
Current service costs	764	-	764
Interest expense (income)	381	(236)	145
Subtotal	57,308	(34,621)	22,687
Remeasurements of the net defined benefit liability/asset:			
Actuarial gains and losses arising from changes in financial assumptions	2,902	-	2,902
Experience adjustments	30,161	-	30,161
Remeasurements of the defined benefit assets	-	(1,212)	(1,212)
Subtotal	33,063	(1,212)	31,851
Payment of benefit obligation	(11,639)	2,069	(9,570)
Contributions by employer	-	(1,446)	(1,446)
As at 31 Dec. 2020	\$78,732	\$(35,210)	\$43,522

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	31 Dec. 2020	31 Dec. 2019
Discount rate	0.29%	0.68%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption as at 31 December 2020 and 2019 is, as shown below:

	2020		2019	
	Defined benefit obligations increase	Defined benefit obligations decrease	Defined benefit obligations increase	Defined benefit obligations decrease
Discount Rate increases by 0.25%	\$-	\$(1,736)	\$-	\$(1,370)
Discount Rate decreases by 0.25%	1,798	-	1,424	-
Rate of future salary increase by 0.25%	1,757	-	1,396	-
Rate of future salary decrease by 0.25%	-	(1,705)	-	(1,350)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

18. Equity

(1) Common stock

As of 31 December 2020 and 2019, the Company's authorized common share capital totaled NT\$3,000,000 thousand, each at a par value of NT\$10 for 300,000 thousand shares. The issued share capital amounted to NT\$2,480,782 thousand and NT\$2,492,242 thousand respectively. at a par value of \$10 per share, for 248,078 thousand shares and 249,224 thousand shares, respectively. Each share has one voting right and the right to receive dividends.

The Company's shareholders' meeting held on 12 June 2019 has passed a resolution to increase capital with undistributed retained earnings in the amount of NT\$33,876 thousand (\$0.15 per share) and issue 3,387 thousand new shares. This capital increase has been approved by the competent authority and the change of registration has been completed.

The Company's board meeting held on 20 June 2019 has passed a resolution to issue common stock for cash by NT\$200,000 thousand, with a par value of NT\$10 per share, totaling 20,000 thousand shares. This capital increase has been approved by the competent authority and the change of registration has been completed.

The Company's board meeting held on 9 July 2020 has passed a resolution. According to Article 28-2 of the Securities and Exchange Act, the company retired 1,146 thousand shares of treasury shares, and the amount of capital reduction was NT\$11,460 thousand, making 13 July 2020 the capital reduction base date for the retirement of treasury shares. This capital increase has been submitted to the Financial Supervisory Commission for approval and the change of registration has been completed.

(2) Capital surplus

	31 Dec. 2020	31 Dec. 2019
Common stock	\$1,388,625	\$1,388,625
Unproportionally subscribed equity investment to adjust the capital reserve	16,308	16,308
Treasury stock transactions	38,932	47,288
Employee stock options	24,113	24,113
Invalidation of conversion rights of convertible corporate debt	2,203	2,203
Total	<u>\$1,470,181</u>	<u>\$1,478,537</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

(3) Treasury stock

The Company's board meeting held on 19 March 2020 passed a resolution to repurchase treasury shares in accordance with Article 28-2 of the Securities Exchange Act to maintain the Company's credit and the shareholders' rights. As of 19 May 2020 (the expiry date of the repurchase period), 1,146 thousand treasury shares had been repurchased, totaling NT\$19,816 thousand, and the average repurchase price of NT\$17.31 per share.

The Company retired 1,146 thousand treasury shares on 13 July 2020, totaling NT\$19,816 thousand, including the retired capital of NT\$11,460 thousand and the issued share premium of NT\$8,356 thousand.

(4) Retained earnings and dividend policies

The Company's Articles of Incorporation provide that the current net income, after deducting the previous years' losses, shall distribute 10% as legal reserve and special reserve according to the Company Act and other regulations of R.O.C., unless the legal reserve has reached the total capital of the Company. The retained earnings shall be provisioned or reversed in accordance with the law or the competent authority. If there is any surplus, together with the undistributed retained earnings over the past few years, the board of directors should come up with a retained earnings distribution plan and submit it to the shareholders meeting for resolution.

Following the adoption of IFRS, the FSC on 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

For the first-time adoption of IFRS, the retained earnings set aside was both NT\$39,793 thousand as of 1 January 2020 and 2019. In addition, the Company did not use, dispose of or reclassify any related assets from 1 January to 31 December 2020 and 2019, therefore they did not reverse the retained earnings to undistributed retained earnings. As of 31 December 2020 and 2019, the amount of the first adoption of retained earnings were both NT\$39,793 thousand.

The Company's distribution of earnings and cash dividends per share in 2019 and 2018 were approved respectively through the shareholders' meeting on 19 June 2020 and 12 June 2019 as follows:

	Appropriation of earnings		Cash dividend per share	
	2019	2018	2019	2018
Legal reserve	\$18,902	\$18,800		
Special reserve	119,426	104,023		
Cash dividends	57,322	22,583	NT\$0.23/ per share	NT\$0.10/ per share
Stock dividends	-	33,876	-	0.15/ per share

Earnings distribution and dividends per share for 2020 has not been approved and resolved by the board meeting on 30 March 2021.

Please refer to Note VI(21) for relevant information about estimation basis and recognized amounts for employees' compensation and remuneration to directors.

19. Operating revenues

	2020	2019
Revenue from client contracts		
Sales - Merchandise	\$693,604	\$329,263
Sales - Construction	705,835	1,183,406
Sales- Rendering of Services	689	15
Total	<u>\$1,400,128</u>	<u>\$1,512,684</u>

Analysis of revenue from contracts with customers during the year is as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2020

	Operating Dept. in Taiwan
Pipe Fittings	\$693,604
Public Work Construction Revenue	705,835
Service Revenue	689
Total	<u>\$1,400,128</u>
Timing of revenue recognition	
Transferring goods at a point in time	\$693,604
Construction transferred over time	705,835
Labor Transferred Over Time	689
Total	<u>\$1,400,128</u>

For the year ended 31 December 2019

	Operating Dept. in Taiwan
Pipe Fittings	\$329,263
Public Work Construction Revenue	1,183,406
Service Revenue	15
Total	<u>\$1,512,684</u>
Timing of revenue recognition	
Transferring goods at a point in time	\$329,263
Construction transferred over time	1,183,406
Labor Transferred Over Time	15
Total	<u>\$1,512,684</u>

(2) Contract balances

A. Contract assets – current

	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Public work Construction	<u>\$698,377</u>	<u>\$674,744</u>	<u>\$656,458</u>

The engineering retention generated by the Company's operations is interest-free and will be recovered at the end of the individual construction contract retention period, which is the normal operating cycle of the Company, which usually exceeds one year. The retention receivables as of 31 December 2020, 31 December 2019, and 1 January 2019 to NT\$44,140 thousand, NT\$30,917 thousand and NT\$31,848 thousand, respectively, classified as contract assets.

B. Contract liabilities - current

	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Public Work Construction	\$165,317	\$222,603	\$377,441
Advanced Receipts	35,399	20,374	52,397
Total	<u>\$200,716</u>	<u>\$242,977</u>	<u>\$429,838</u>

(3) The changes in contract assets and contract liabilities are mainly due to the difference between the time when the Company transfers goods or services to customers to meet the performance obligations and the time when the customers pay. There were no other major changes for the years ended 31 December 2020 and 2019.

20. Expected credit losses/(gains)

	2020	2019
Operating Expense- Expected credit losses(gains)		
Notes Receivable	\$-	\$-
Accounts Receivable	(1,367)	36,636
Total	<u>\$(1,367)</u>	<u>\$36,636</u>

Please refer to Note XII for more details on credit risk.

The credit risk for measured at amortized cost is assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Company transacts with are financial institutions with good credit, no allowance for losses has been provided in 2020 and 2019.

The Company measures the loss allowance of its Contract Assets and Trade Receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The Company considers that the credit loss is actually included in the impairment loss except for individual customers by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using provision matrix, details are as follows:

- (1) The total book value of the contract assets was NT\$698,377 thousand and NT\$674,744 thousand, and the amount of loss allowance measured by the expected credit loss rate of 0% was NT\$0 thousand.

As at 31 December 2020

	Not yet due	Overdue				Total
	(Note)	<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$2,149,311	\$-	\$384	\$-	\$7,393	\$2,157,088
Loss ratio	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	7,393	7,393
Carrying amount	<u>\$2,149,311</u>	<u>\$-</u>	<u>\$384</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,149,695</u>

Note: The Company's notes receivables are not overdue.

As at 31 December 2019

	Not yet due	Overdue				Total
	(Note)	<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$1,915,580	\$2,203	\$-	\$-	\$8,378	\$1,926,161
Loss ratio	0%	17.34%	0%	0%	100%	
Lifetime expected credit losses	-	382	-	-	8,378	8,760
Carrying amount	<u>\$1,915,580</u>	<u>\$1,821</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,917,401</u>

Note: The Company's notes receivables are not overdue.

The movement in the provision for impairment of contract assets, note receivables, trade receivables and other receivables for the years ended 31 December 2020 and 2019 is as follows:

	Contract assets	Notes receivables	Trade receivables
Bal. as at 1 Jan. 2020	\$-	\$-	\$8,760
Addition/(reversal) for the current period	-	-	(1,367)
Bal. as at 31 Dec. 2020	\$-	\$-	\$7,393
Bal. as at 1 Jan. 2019	\$-	\$-	\$13,691
Write off	-	-	(4,931)
Bal. as at 31 Dec. 2019	\$-	\$-	\$8,760

21. Employee benefit, depreciation, and amortization expense are summarized as follows :

	2020			2019		
	Operating costs	Operating expenses	Total Amount	Operating costs	Operating expenses	Total Amount
Employee benefits expense						
Salaries	\$124,235	\$36,632	\$160,867	\$98,047	\$38,759	\$136,806
Labor and health insurance	10,439	2,465	12,904	8,898	2,440	11,338
Pension	3,385	2,117	5,502	3,070	2,049	5,119
Remuneration of directors	-	2,687	2,687	-	2,805	2,805
Other personnel expenses	5,023	1,051	6,074	4,789	1,023	5,812
Depreciation	41,725	6,041	47,766	50,973	4,446	55,419
Amortization	69	637	706	69	321	390

- (1) The number of employees of the company as of 31 December 2020 and 2019 were 215 and 180, respectively; among whom the number of directors who did not serve as employees concurrently were 5 and 6, respectively.

- (2) Companies whose stocks have been listed on the stock exchange or the OTC trading center should disclose the following information:
- A. The average employee benefit expense for the year was NT\$883 thousand. The average employee benefit cost of the previous year was NT\$ 914 thousand.
 - B. The average employee salary cost of this year was NT\$ 766 thousand. The average employee salary cost of the previous year was NT\$786 thousand.
 - C. The average employee salary cost adjustment changes decreased by 2.54%.
 - D. The supervisor's remuneration for this year was NT\$0, and the supervisor's remuneration for the previous year is NT\$0. The Company has set up an audit committee to replace the supervisory function, so the amount was NT\$0.

According to the Articles of Incorporation, 2 % of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The company's salary and remuneration policy (including directors, managers and employees) are as follows:

The remunerations of directors, general managers and deputy general managers are determined in accordance with the company's articles of association and regulations, and are reviewed by the Salary and Compensation Committee and approved by the board of directors.

The remuneration of the directors of the company is determined in accordance with the company's articles of association, and with reference to the company's overall operating performance, future risks and development trends of the industry, as well as the individual's performance achievement rate and contribution to the company, and reasonable remuneration is given. Relevant performance appraisal and reasonableness of remuneration have been reviewed by the Salary and Compensation Committee and the Board of Directors, and the remuneration system will be reviewed in a timely manner based on actual operating conditions and relevant laws and regulations.

Manager's remuneration includes salary and employee remuneration. According to the position held, the responsibilities assumed and the salary standard of the company's managers, the payment shall be reviewed by the Salary and Compensation Committee and approved by the board of directors.

Employees are paid according to the salary level of the position in the industry market, the scope of the position's rights and responsibilities, and the degree of contribution to the company's operating goals. The procedures for determining the remuneration, in addition to referring to the company's overall operating performance, and based on factors such as consumer price index, salary market conditions, company financial status and performance appraisal, provide reasonable remuneration.

Based on the profit level of the year ended 31 December 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2020 to be NT\$2,735 thousand and NT\$1,367 thousand, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 amount to NT\$3,742 thousand and NT\$1,871 thousand, respectively.

A resolution was approved at a Board of Directors meeting held on 31 March 2019 to distribute NT\$3,742 thousand and NT\$1,871 thousand in cash as employee's compensation and remuneration to directors and supervisors, respectively. There is no significant difference between the distributed employee bonuses and remuneration to directors and supervisors and the amount recognized as employee benefits expense in the financial statements of 2019.

No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2019.

22. Non-operating income and expenses

(1) Other income

	2020	2019
Interest income	\$24,610	\$21,308
Other income-other	3,248	4,355
Total	<u>\$27,858</u>	<u>\$25,663</u>

(2) Other gains and losses

	2020	2019
Gains on disposal of property, plant and equipment	\$6,014	\$12
Foreign exchange losses, net	24,962	5,885
Impairment loss of property, plant and equipment	(35,799)	(13,067)
Other	(3,856)	(4,314)
Total	<u><u>\$(8,679)</u></u>	<u><u>\$(11,484)</u></u>

(3) Finance costs

	2020	2019
Interest expenses	<u><u>\$(25,882)</u></u>	<u><u>\$(33,390)</u></u>

23. Components of other comprehensive income

	Arising during the period	Tax Benefit (Expense)	Net of Tax
For the year ended 31 December 2020			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$(31,851)	\$6,370	\$(25,481)
Unrealized gains from equity instruments			
investments measured at fair value through other comprehensive income	6,683	-	6,683
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	19,226	-	19,226
Total other comprehensive income	<u><u>\$(5,942)</u></u>	<u><u>\$6,370</u></u>	<u><u>\$428</u></u>
	Arising during the period	Tax Benefit (Expense)	Net of Tax
For the year ended 31 December 2019			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$(4,320)	\$864	\$(3,456)
Unrealized gain or loss from investments in equity instruments measured at fair value through other comprehensive income	(38,277)	-	(38,277)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(34,017)	-	(34,017)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(47,132)	-	(47,132)
Total other comprehensive income	<u><u>\$(123,746)</u></u>	<u><u>\$864</u></u>	<u><u>\$(122,882)</u></u>

24. Income tax

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	2020	2019
Current income tax expense (income):		
Current income tax charge	\$-	\$5,904
Adjustments in respect of current income tax of prior periods	1,081	(57,292)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	29,887	40,408
Total income tax expense (income)	<u>\$30,968</u>	<u>\$(10,980)</u>

Income tax relating to components of other comprehensive income

	2020	2019
Deferred income tax expense (benefits):		
Determine the benefit plan and then measure the number	\$6,370	\$864
Income tax related to other comprehensive profit and loss components	<u>\$6,370</u>	<u>\$864</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	2020	2019
Accounting profit before tax from continuing operations	<u>\$156,039</u>	<u>\$181,497</u>
Tax amount calculated at the domestic tax rate applicable to income in relevant countries	\$31,208	\$36,299
Tax effect of revenues exempt from taxation	-	(13,018)
Tax effect of expenses not deductible for tax purposes	18,388	3,113
Tax effect of deferred tax assets/liabilities	(19,709)	14,014
Adjustments in respect of current income tax of prior periods	1,081	(57,292)
Undistributed retained earnings - Levy	-	5,904
Total income tax expense recognized in profit and loss	<u>\$30,968</u>	<u>\$(10,980)</u>

The balance of deferred income tax assets (liabilities) related to the following items:

For the year ended 31 December 2020

	Opening Balance	Recognized in profit and loss	Recognized in others Comprehensive profit and loss	Ending balance
Temporary difference				
Net defined benefit liabilities-non-current	\$4,356	\$(2,021)	\$6,370	\$8,705
Inter-affiliated company transactions	2,260	(2,035)	-	225
Unrealized exchange losses (gains), net	(1,306)	(3,677)	-	(4,983)
Unrealized impairment losses	11,540	355	-	11,895
Loss deduction	24,616	(24,616)	-	-
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(107,580)	-	-	(107,580)
Others	12,414	2,107	-	14,521
Deferred income tax benefits (expense)		<u>\$(29,887)</u>	<u>\$6,370</u>	
Deferred income tax assets/(liabilities) net	<u>\$(67,083)</u>			<u>\$(90,600)</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$55,186</u>			<u>\$35,346</u>
Deferred tax liabilities	<u>\$(122,269)</u>			<u>\$(125,946)</u>

For the year ended 31 December 2019

		Recognized	Recognized in others	
	Opening Balance	in profit and loss	Comprehensive profit and loss	Exchange difference
Temporary difference				
Net defined benefit liabilities-non-current	\$3,827	\$(335)	\$864	\$4,356
Inter-affiliated company transactions	2,650	(390)	-	2,260
Unrealized exchange losses (gains), net	-	(1,306)	-	(1,306)
Unrealized impairment loss	13,387	(1,847)	-	11,540
Loss deduction	62,863	(38,247)	-	24,616
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(107,484)	(96)	-	(107,580)
Others	10,601	1,813	-	12,414
Deferred income tax benefits (expenses)		<u>\$(40,408)</u>	<u>\$864</u>	
Deferred income tax assets/(liabilities) net	<u>\$(27,539)</u>			<u>\$(67,083)</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$93,328</u>			<u>\$55,186</u>
Deferred tax liabilities	<u>\$(120,867)</u>			<u>\$(122,269)</u>

The information on unused tax losses of the Company is summarized as follows:

Year of occurrence	Tax losses for the period	Unused balance		
		31 Dec. 2020	31 Dec. 2019	Last deductible year
2016	\$324,702	\$-	\$50,831	2026
2017	353,267	113,880	324,887	2027
		<u>\$113,880</u>	<u>\$375,718</u>	

Unrecognized deferred income tax assets

As of 31 December 2020 and 2019, the total amount of unrecognized deferred income tax assets of the Company was NT\$22,776 thousand and NT\$50,527 thousand.

The assessment of income tax returns

As of 31 December 2020, the Company's income tax filings is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2019

25. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bonds payable) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>2020</u>	<u>2019</u>
(1)		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$125,071</u>	<u>\$192,477</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>248,510</u>	<u>236,784</u>
Basic earnings per share (NT\$)	<u>\$0.50</u>	<u>\$0.81</u>

	2020	2019
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$125,071	\$192,477
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,510	236,784
Effect of dilution:		
Employee bonus — stock (in thousands)	117	283
Weighted average number of ordinary shares outstanding after dilution (in thousands)	248,627	237,067
Diluted earnings per share (NT\$)	\$0.50	\$0.81

During the reporting date and the date the financial statement was prepared, no other transactions affected the common shares and dilutive potential ordinary shares.

VII. RELATED PARTIES TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follow:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Kuo Toong International LLC.	Associate
Xiyu Seawater Desalination Co., Ltd.	Associate
Jie Mao International Co., Ltd.	Associate
Kuo Yang Environment Technology Co., Ltd.	Associate
Kuo Hsin Technology Co., Ltd.	Associate
Jianyi Construction Co., Ltd.	Associate
Marvel Line Co., Ltd.	Associate
Kuo Chuang Engineering Co., Ltd.	Associate
Xiamen Kuo Hsin Century Technology Co., Ltd.	Associate
Fujian Taiming Casting Pipe Technology (Stock) Company	Associate
Dinteng Co, Ltd.	Associate
Mega Resource Co., Ltd.	Associate
Fujian Taiming Trading Co., Ltd.	Associate
Linwu Taiming Pipe Industry Technology Co., Ltd.	Associate

Name of the related parties	Nature of relationship of the related parties
Hong Ya Man	Director of the Company
Liang Jia Yuan	Director of the Company (Note)
Ye Qin Zheng	President of the Company
Fu Xue Ren	Vice president of the Company
Tsai Xiu Hua	Vice president of the Company

Note: Stepped down from the position of the Company's chairman in 30 June 2020.

Significant related party transactions

1. Sales

	2020	2019
Associates		
Kuo Chuang Engineering Co., Ltd.	\$319,396	\$265,385

Due to the different specifications of pipes and packaging materials, the sales prices sold by the company to related parties have no general transaction prices to compare, and the payment shall be collected as agreed in the sales contract.

2. Construction revenue

	2020	2019
Associates		
Kuo Yang Environment Technology Co., Ltd.	\$314,606	\$666,586
Others	8,300	6,469
Total	\$322,906	\$673,055

The total contract price of the contract of the related party is based on the negotiation between the two parties, and the payment is requested according to the progress of the construction of the project, and the payment period for the related party is extended if necessary. In addition, the company's contract assets and contract liabilities arising from the contracting of projects to related parties are as follows:

	Contract assets		Contract liabilities	
	For the years ended 31		For the years ended 31	
	December		December	
	2020	2019	2020	2019
Associates				
Kuo Yang Environment Technology Co., Ltd	\$-	\$-	\$414,151	\$246,940
Jianyi Construction Co., Ltd.	1,497	-	1,195,303	1,187,003
Total	<u>\$1,497</u>	<u>\$-</u>	<u>\$1,609,454</u>	<u>\$1,433,943</u>

3. Purchases

	2020	2019
Associates		
Others	<u>\$3,451</u>	<u>\$3,769</u>

As the company's purchases from related parties comprise different types of goods, there is no general transaction price for comparison. The payment period is about 60 to 90 days, which is equivalent to ordinary transactions.

4. Construction expenditure

	2020	2019
Associates		
Others	<u>\$-</u>	<u>\$4,325</u>

The total contract price of the contracting subsidiary is based on the negotiation between the two parties and the payment is made according to the estimated progress of the contract. The payment period of the related party is extended if necessary.

5. Amounts owed by related parties

	31 Dec. 2020	31 Dec. 2019
Associates		
Kuo Yang Environment Technology Co., Ltd	\$1,527,974	\$1,452,682
Jianyi Construction Co., Ltd.	-	18,661
Kuo Chuang Engineering Co., Ltd.	-	20,942
Total	<u>\$1,527,974</u>	<u>\$1,492,285</u>

As of 31 December 2020 and 31 December 2019, retention receivables amounted to NT\$1,497 thousand and NT\$17,007 thousand, recognized as contract assets.

6. Amounts owed to related parties

	31 Dec. 2020	31 Dec. 2019
Associates		
Others	\$931	\$10,052

7. Financing situation within related parties

As of 31 December 2020 and 31 December 2019, details of funding between the company and its related parties are as follows:

Name of the related parties: associate - Marvel Line Co., Ltd.

	31 Dec. 2020	31 Dec. 2019
Maximum balance	\$-	\$50,358
	(RMB0 thousand)	(RMB11,000 thousand)
Ending balance	-	-
	(RMB0 thousand)	(RMB0 thousand)

(1) As of 31 December 2019, the Company incurred interest expenses of NT\$ 869 thousand due to financing from the company's subsidiaries. As of 31 December 2020, the interest payable due to financing was NT\$ 0 thousand.

(2) The company's borrowings from related parties are based on the interest rate of each related party's borrowing from financial institutions in the current year and are unsecured loans.

8. Others

(1) The interest on accounts receivable from the company's subsidiary-Kuo Yang Environmental Technology Co., Ltd. is calculated based on the interest rate of the long-term borrowing from financial institutions by Kuo Yang Environmental Technology Co., Ltd. in 2020 and 2019. The interest income for the eight years was 23,923 thousand and 20,746 thousand, which are reported under other income. The uncollected amounts as of 31 December 2020 and 2019 were 23,923 thousand and 20,746 thousand, respectively, which were included in other receivables-related parties in the financial report.

- (2) The uncollected amount of advance payments made by the company on behalf of related parties is listed below:

Account Listed Items	Categories of Related		31 Dec. 2020	31 Dec. 2019
	Parties			
Other receivables - associate	Associate		\$506	\$10,823

- (3) The amount of construction funds collected by the Company from the owner on behalf of its related parties is listed below:

Account Listed Items	Categories of Related		31 Dec. 2020	31 Dec. 2019
	Parties			
Other payable – related parties	Associate		\$8,893	\$30,711
Other current liabilities	Associate		113,313	135,973

- (4) The Company's increased investment in related parties is listed below:

Account Listed Items	Categories of Related		31 Dec. 2020	31 Dec. 2019
	Parties			
Investments accounted for using the equity method	Associate		\$-	\$5,000

- (5) For the years ended 31 December 2020 and 2019, the Company provided demand deposits of NT\$27,187 thousand and NT\$33,185 thousand for bank loans of subsidiaries to pledge to banks, respectively.
- (6) As of 31 December 2020 and 2019, the subsidiary Xiamen Guoxin Century Technology Co., Ltd. provided fixed deposits of NTD502,221 thousand and NTD325,280 thousand to the bank for the company's bank loans.
- (7) As of 31 December 2020 and 2019, the subsidiary Kuo Hsin Technology Co., Ltd. provided real estate, plant and equipment for the company's bank loans at NTD 80,257 thousand and NTD 84,045 thousand, respectively.
- (8) As of 31 December 2020 and 2019, key management personnel provided demand deposits of NTD0 thousand and NTD83,000 thousand for the company's bank loans to pledge to the bank, respectively.

(9) As of 31 December 2020 and 2019, the company borrowed money from financial institutions. According to the requirements of part of the loan contract, the company's key management personnel provided joint guarantees.

9. Key management personnel compensation

	2020	2019
Short-term employee benefits	\$22,041	\$20,258
Post-employment benefits	1,048	966
Share-based payment	-	780
Total	\$23,089	\$22,004

VIII. ASSETS PLEDGED AS COLLATERAL

The Company has the following Assets pledged as Collateral:

Items	Book Value		Purpose of pledge
	31 Dec. 2020	31 Dec. 2019	
Financial assets measured at amortized costs - current	\$374,034	\$259,802	Short-term loans, short-term notes payable, Construction Performance, CPC credit sale collateral and guaranteed warranty
Financial assets measured at amortized costs – non-current	79,705	92,715	Penghu desalinated water contract performance guarantee, bonds payable, Construction Performance Guarantee, long-term borrowings and Litigation Liability Guarantee
Property, plant and equipment	122,272	117,724	Long-term borrowings, Short-term loans
Investments accounted for under the equity method	775,141	742,443	Short-term loans
Total	\$1,351,152	\$1,212,684	

IX. Significant contingencies and unrecognized contractual commitments

1. The guarantee notes deposit issued by the Company for related operating needs are as follows:

	31 Dec. 2020	31 Dec. 2019
Performance Guarantee for Purchase Contract	\$2,000	\$50,730
Performance Guarantee for Sales Contract	86,030	91,550
Issuance Guarantee for Letter of Credit	-	20,000
Total	<u>\$88,030</u>	<u>\$162,280</u>

2. The performance guarantee issued by the bank due to the Company's contracting construction projects is as follows:

	31 Dec. 2020	31 Dec. 2019
Guaranteed balance	<u>\$678,258</u>	<u>\$486,487</u>

3. Because of the issuance of the first domestic secured corporate bonds by the Company on 31 December 2020 and 2019, the bank provided guarantees with a credit line of NT\$251,950 thousand.

4. The Company obtains bank engineering bid bond guarantees and performance guarantee credit line for companies with whom it does business, and the Company provides endorsement guarantees for them. The actual amounts drawn are as follows:

	31 Dec. 2020	31 Dec. 2019
Guaranteed amount paid		
Guarantee for associates	\$2,312,089	\$2,307,981
Guarantee Amount Drawn	-	9,262
Total	<u>\$2,312,089</u>	<u>\$2,317,243</u>

5. Joint Venture Contracts:

		31 Dec. 2020		31 Dec. 2019	
Participants of the Joint Venture		Contract	Contract	Contract	Contract
Contracts	Case	total price	proportion	total price	proportion
Sheng Ho Construction Co., Ltd.	A	\$158,095	20.00%	\$158,095	20.00%
Sheng Ho Construction Co., Ltd.	B	158,055	20.00%	158,055	20.00%
Sheng Ho Construction Co., Ltd.	C	279,048	65.00%	279,048	65.00%
China Engineering Co., Ltd. and Liming Engineering Consulting Co., Ltd.	D	4,077,471	51.85%	4,077,471	51.85%
Total		<u>\$4,672,669</u>		<u>\$4,672,669</u>	

6. Contingent Liabilities:

- (1) The completion date of the " New Construction of Hushan Water Purification Plant" contracted by the Company was determined by the proprietor on 19 January 2017. The proprietor believes that the Company has been overdue for 640 days and plans to impose a fine of NT\$406,476 thousand. (The fine will be 20% of the total contract price if the delay exceeds the upper limit regulated in the construction contract). The Company was notified by the proprietor on 1 March 2017 that the Company will be suspended for one year in accordance with the law. The Company appealed to the Public Construction Committee of the Executive Yuan in accordance with the law, however, it was dismissed by the Public Construction Committee of the Executive Yuan on 20 October 2017, and the proprietor has already put the Company on the blacklist for one year (ending on 9 November 2018) in accordance with Article 101 of the Government Procurement Act.

The Company and the proprietor failed to reach a consensus after several mediations conducted by the Public Construction Committee of the Executive Yuan. They withdrew the mediation case for the disputable overdue project in dispute on 2 November 2017, and separately filed a civil procedure lawsuit to Taichung District Court of Taiwan on 21 December 2017 and an administrative action to Taichung High Administrative Court on 22 December 2017. The Taichung High Administrative Court ruled that the construction period should be extended by 247 days on 20 June 2019, the overdue period of the project was 350 days, and dismissed the company suspension appeal. Although the suspension has been executed, the company still appealed to the Supreme Administrative Court on 23 July 2019 for delays cannot be attributed to the Company. The case is currently under trial.

In addition, after the lawyers appointed by the Company reviewed the related construction period analysis data and the expert opinions, they believed that if the project was overdue due to additional water testing projects and insufficient water sources, the construction period should be extended for at least 640 days, 597 days, 51 days or other days, and the Company can also request a reduction in overdue fine, but the disputes are still pending final judgment. As the case is still pending trial, the Company assessed that the matters mentioned above should be extended for at least 536.9 days, and estimated that the initial possible overdue days was 60.1 days. Therefore, the Company estimated that the overdue project fine would be NT\$119,555 thousand. As of 31 December 2020, the proprietor intended to offset the Company's accounts receivable of NT\$426,943 thousand as overdue fines based on the above-mentioned overdue project. All accounts receivables were transferred to long-term receivables. As of 31 December 2020, the case is still under trial.

- (2) Donggang Township Office of Pingtung County filed a civil action to the Pingtung District Court of Taiwan on 20 May 2019 that the Company should return the land in Xinyuan Township, Pingtung County, and pay a total of \$9,069 thousand for the past five years prior to filing the action and pay NT\$154 thousand per month for rent losses starting from 16 April 2019. The Pingtung District Court of Taiwan ruled on 7 August 2020 that the Company should pay NT\$8,937 thousand for the past five years prior to the lawsuit and NT\$156 thousand per month for rent losses since 1 July 2020.

The Company entered into a settlement agreement with Donggang Township Office in Pingtung County on 16 September 2020, and withdrew the appeal. According to the settlement agreement, the Company should pay NT\$8,937 thousand for the rent losses in the past five years prior to the lawsuit, and the interest was calculated at 5% per annum until 31 August 2020 (of which NT\$7,227 thousand started from 12 June 2019, the remaining NT\$1,710 thousand started from 23 July 2020) will be paid monthly from September 2020 to December 2022. The aforesaid amount of compensation plus the first-instance litigation costs of NT\$1,842 thousand, totaling NT\$11,231 thousand, has been estimated and recorded..

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Financial instruments

1. Categories of financial instruments

Financial assets

	31 Dec. 2020	31 Dec. 2019
Financial assets at fair value through other comprehensive income	\$95,025	\$88,342
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	93,309	110,516
Financial assets measured at amortized cost	453,750	352,517
Notes receivables	5,572	6,045
Trade receivables(related parties included)	1,717,180	1,484,413
Other receivables(related parties included)	28,357	34,477
Construction refundable deposits	58,855	69,467
Refundable deposits	16,128	24,503
Long-term receivables	426,943	426,943
Subtotal	2,800,094	2,508,881
Total	\$2,895,119	\$2,597,223

Financial liabilities

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Financial liabilities at amortized cost:		
Short-term loans and notes payable	\$1,133,943	\$966,132
Payments payable(related parties included)	662,050	575,570
Bond payable	249,755	249,559
Long-term borrowings(current portion included)	216,244	250,784
Refundable deposits received	25,179	25,938
Total	<u>\$2,287,171</u>	<u>\$2,067,983</u>

2. Financial risk management objectives and policies

The Company's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times..

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk, interest rate risk, and other price risk (such as equity instruments related risks).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly affected by USD. Sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2020 and 2019 decreases/increases by NT\$3,324 thousand and NT\$2,040 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate risk of the Company mainly comes from floating rate investment, fixed rate and floating rate borrowing.

The Company maintains an appropriate combination of fixed and floating interest rates, supplemented by interest rate exchange contracts to manage interest rate risk, however, because it does not meet the requirements of hedge accounting, hence hedge accounting is not applied.

Sensitivity analysis of interest rate risk mainly focuses on interest rate exposure items at the end of the financial reporting period, including floating rate investments, floating rate borrowings, and interest rate exchange contracts. It is assumed to be held for an accounting year when interest rates rise or fall by ten basis points, the profit and loss of the Company in 2020 and 2019 will increase or decrease by NT\$793 thousand and NT\$742 thousand respectively.

Equity price risk

The Company's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

Please refer to Note XII (8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment or insurance.

As of 31 December 2020 and 2019, accounts receivables from top ten customers represented 100% and 97% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

5. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings and convertible bonds. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
31 Dec.2020						
Loans	\$359,355	\$871,289	\$31,317	\$88,250	\$-	\$1,350,211
Notes and accounts payable	453,746	26,272	8,473	5,305	-	493,796
Other payables	162,594	2,085	3,575	-	-	168,254
Bonds payable	-	1,950	251,950	-	-	253,900
Refundable deposits received	14,774	969	4,251	5,185	-	25,179

	Less than 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
31 Dec.2019						
Loans	\$723,096	\$415,829	\$56,390	\$37,830	\$-	\$1,233,145
Notes and accounts payable	419,622	21,557	40,028	1,897	-	483,104
Other payables	61,755	30,711	-	-	-	92,466
Bonds payable	1,961	-	1,950	251,950	-	255,861
Refundable deposits received	1,068	9,674	10,377	4,545	274	25,938

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2020:

	Short-term Loans	Shoer- term notes payable	Long-term borrowings (current portion included)	Bonds payable	Lease liabilities	Refundable deposits received	Total
1 Jan. 2020	\$956,135	\$9,997	\$250,784	\$249,559	\$-	\$25,938	\$1,492,413
Cash flows	192,302	(24)	(34,540)	-	-	(759)	156,979
Non-cash changes	-	3	-	196	-	-	199
Foreign exchange movement	(24,470)	-	-	-	-	-	(24,470)
31 Dec. 2020	<u>\$1,123,967</u>	<u>\$9,976</u>	<u>\$216,244</u>	<u>\$249,755</u>	<u>\$-</u>	<u>\$25,179</u>	<u>\$1,625,121</u>

Reconciliation of liabilities for the year ended 31 December 2019:

	Short-term Loans	Short-term notes payable	Long-term borrowings (current portion included)	Bonds payable	Lease liabilities	Refundable deposits received	Total
1 Jan. 2019	\$1,146,069	\$9,991	\$153,725	\$-	\$48,917	\$26,949	\$1,385,651
Cash flows	(182,885)	(3)	97,059	249,413	(49,192)	(1,011)	113,381
Non-cash changes	-	9	-	146	-	-	155
Foreign exchange movement	(7,049)	-	-	-	275	-	(6,774)
31 Dec. 2019	<u>\$956,135</u>	<u>\$9,997</u>	<u>\$250,784</u>	<u>\$249,559</u>	<u>\$-</u>	<u>\$25,938</u>	<u>\$1,492,413</u>

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable, deposit received and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, etc.) at the reporting date.
- C. Fair value of equity instruments without market quotations (including private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Fair value of bank loans, short-term notes payable, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(2) Fair value of financial instruments measured at amortized cost

The book value of the financial assets and financial liabilities measured at amortized cost by the Company approximated their fair value.

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note XII(8) for fair value measurement hierarchy for financial instruments of the Company.

8. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As at 31 December 2020

	Level 1	Level 2	Level 3	Total
Assets at fair value through other comprehensive income				
Financial assets at fair value through other comprehensive income	\$-	\$-	\$95,025	\$95,025

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Assets at fair value through other comprehensive income				
Financial assets at fair value through other comprehensive income	\$-	\$-	\$88,342	\$88,342

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Changes in Level 3 of the recurring fair value hierarchy

If the assets and liabilities measured by the recurring fair value of the Company are deemed at level 3 of the fair value hierarchy, the adjustment of the beginning balance and the ending balance is listed as follows:

	Assets
	At fair value through other comprehensive income
	Stock
As at 1 Jan. 2020	\$88,342
Total gains and losses recognized	
Amount recognized in OCI	6,683
As at 31 Dec. 2020	\$95,025
	Assets
	At fair value through other comprehensive income
	Stock
As at 1 Jan. 2019	\$126,619
Total gains and losses recognized	
Amount recognized in OCI	(38,277)
As at 31 Dec. 2019	\$88,342

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at 31 December 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Measured at fair value through other comprehensive income					
Stocks	Comparable Public Company Method	Discount for lack of marketability	15%	The higher the lack of marketability, the lower the fair value estimation	When the percentage of lack of marketability increases (decreases) by 2%, the equity of the group will decrease/increase by NT\$2,236thousand

As at 31 December 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income-non-current					
Stocks	Comparable Public Company Method	Discount for lack of marketability	15%	The higher the lack of marketability, the lower the fair value estimation	When the percentage of lack of marketability increases (decreases) by 2%, the equity of the group will decrease/increase by \$1,767 thousand
		PB Ratio	1.07	The higher the PB ratio, the higher the fair value	When the PB ratio increases (decreases) by 2%, the equity of the group will decrease/increase by NT\$1,767 thousand

Valuation process of Level 3 fair value measurement

The Company's financial accounting department is responsible for fair value verification, using independent sources of information to bring the valuation results closer to the market, confirming that the source of the information is independent, reliable, consistent with other resources, and representing executable prices. In accordance with the Company's accounting policies on each reporting day, the changes in the value of assets and liabilities that need to be remeasured or reassessed should be analyzed to ensure that the valuation results are reasonable.

(1) Fair value measurement hierarchy of the Company's assets not measured at fair value but for which the fair value is disclosed

As at 31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for under the equity method	\$-	\$-	\$2,957,217	\$2,957,217

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for under the equity method	\$-	\$-	\$3,020,102	\$3,020,102

9. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	31 Dec. 2020			31 Dec. 2019		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items						
USD	\$67	28.43	\$1,923	\$1,722	29.93	\$51,531
<u>Financial liabilities</u>						
Monetary items						
USD	11,760	28.43	334,337	8,539	29.93	255,573

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Company has various functional currencies, no information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2020 and 2019, the foreign exchange gains or losses on monetary financial assets and financial liabilities amounted to NT\$24,962 thousand, NT\$5,885 thousand, respectively.

10. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

11. Others

Additionally, in order to facilitate the comparison of financial statements, some items of the previously prepared financial statements have been reclassified.

XIII. ADDITIONAL DISCLOSURES

1. The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:
 - (1) Financing provided to others for the year ended 31 December 2020: Please refer to Attachment 1.
 - (2) Endorsement/Guarantee provided to others for the year ended 31 December 2020: Please refer to Attachment 2.
 - (3) Securities held as of December 31, 2020 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 3.
 - (4) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2020: None.
 - (5) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2020: None.
 - (6) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2020: None.

- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2020: Please refer to Attachment 4.
- (8) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of 31 December 2020: Please refer to Attachment 5.
- (9) Name of the Investee Company, location, etc. (Do not include investees in China): Details in Attachment 6.
- (10) Financial instruments and derivative transactions: None.

2. Information in Mainland China:

- (1) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.
- (2) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: Please refer to Attachment 7.

3. Main Stockholders' Information:

Main stockholders' name, shares holding amount and proportion: None.

XIV. SEGMENT INFORMATION

The Company is exempted from preparing segment information in accordance with Article 22 of the Guidelines for the Preparation of Financial Reports for Securities Issuers, and has disclosed the operating segment information in the consolidated financial report.

Attachment 1: Financing provided to others

No. (Note 1)	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period (Note 7)	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 4)	Amount of sales to (purchases from) counter-party (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)	Note
													Item	Value			
1	Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Other receivables	Yes	\$248,178 (CNY 57,000 thousand)	\$248,064 (CNY 57,000 thousand)	\$248,064 (CNY 57,000 thousand)	4.25%	2	\$-	Need for operating	\$-	-	\$-	\$262,217	\$262,217	(Note 8)

(Note 1) The financial information of the parent company and its subsidiaries are coded as follows:

- (1) The parent company is coded "0".
- (2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

(Note 2) Limit of financing amount for individual counter-party:

- (1) Limit of financing amount for individual counter-party shall not exceed 40% of the net asset value and shall not exceed the amount of business transactions. The amount of business transactions is the amount of business transaction in recent 1 year between lender and the counter-party.
- (2) Necessary of need for operating: financing amount to individual counter-party shall not exceed 40% of the net asset value.

(Note 3) Limit of total financing amount shall not exceed 40% of the Company's net asset value.

(Note 4) The financing provided to others are coded as follows:

- (1) Business contacts is coded "1".
- (2) Short-term financing is coded "2".

(Note 5) If financing provided to others is coded "1", the amount of business transactions should be filled in. The amount of business transactions is the amount of business transaction in recent 1 year between lender and the counter-party.

(Note 6) If financing provided to others is coded "2". The reasons for the necessary loans and funds and the use of the loans and objects should be specified, such as refunding, purchasing equipments, need for operating, etc.

(Note 7) The balance of which is at its maximum balance of financing provided to others in the current year.

(Note 8) The above transactions were all made between consolidated entities in the Group and have been reversed.

(Note 9) The exchange rate of the RMB to the NTD is 1: 4.352.

Attachment 2: Endorsement/Guarantee provided to others

No. (Note1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period (Note13)	Ending balance (Note14)	Actual amount provided (Note15)	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Parent company's guarantee/ endorsement amount to subsidiaries	Subsidiaries' guarantee/ endorsement amount to parent company	Guarantee/ endorsement amount to company in Mainland China	Note
		Company Name	Relationship											
0	The Company	Chung Choi Construction Co., Ltd.	Company with business relationships	\$3,096,553 (Note 2)	\$16,500	\$-	\$-	None	-	\$4,202,465 (Note 3)	N	N	N	
0	The Company	Xiyu Seawater Desalination Co., Ltd.	KUO TOONG HOLDING CORPORATION	7,442,346 (Note 4)	125,000	125,000	85,000	None	2.83%	12,403,908 (Note 4)	Y	N	N	(Note 16)
0	The Company	Kuo Yang Environment Technology Co., Ltd.	KUO TOONG HOLDING CORPORATION	7,442,346 (Note 4)	2,060,000	1,257,300	1,148,028	None	28.42%	12,403,908 (Note 4)	Y	N	N	(Note 16)
0	The Company	Fujian Taiming Casting Pipe Technology Co., Ltd.	KUO TOONG HOLDING CORPORATION	3,096,553 (Note 2)	2,111,320	1,581,678	1,079,061	27,187	35.75%	4,202,465 (Note 3)	Y	N	Y	(Note 16)
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	The Company	Ultimate parent company of Xiamen Kuo Hsin	1,219,217 (Note 5)	539,460	511,740	334,337	502,221	143.44%	1,625,622 (Note 6)	N	Y	N	(Note 16)
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	Company with business relationships	214,063 (Note 7)	167,194	167,117	87,040	87,040	46.84%	356,771 (Note 8)	N	N	Y	(Note 16)
2	Kuo Chuang Engineering Co., Ltd.	Xiyu Seawater Desalination Co., Ltd.	Controlled by ultimate parent company	180,000 (Note 11)	39,000	15,000	11,000	11,000	17.43%	300,000 (Note 12)	N	N	N	(Note 16)
3	Kuo Hsin Technology Co., Ltd.	The Company	Parent Company of Kuo Hsin	215,000 (Note 9)	110,000	110,000	59,000	80,170	119.41%	430,000 (Note 10)	N	Y	N	(Note 16)

No. (Note1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period (Note13)	Ending balance (Note14)	Actual amount provided (Note15)	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Parent company's guarantee/ endorsement amount to subsidiaries	Subsidiaries' guarantee/ endorsement amount to parent company	Guarantee/ endorsement amount to company in Mainland China	Note
		Company Name	Relationship											
4	Dinteng Co, Ltd.	Kuo Yang Environment Technology Co., Ltd.	Parent Company of Dinteng	4,510,320 (Note 11)	1,147,300	1,147,300	1,077,571	None	38.19%	7,517,201 (Note 13)	Y	N	N	(Note 16)

(Note 1) The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

(Note 2) Shall not exceed 70% of net asset value of the Company.

(Note 3) Shall not exceed 95% of net asset value of the Company.

(Note 4) The limit of endorsement guarantee for the implementation of the "Promotion of Private Participation in Public Construction Law" for engineering projects is limited to not more than five times the company's paid-in capital; in addition, for a single enterprise, it is limited to not more than three times the company's paid-in capital.

(Note 5) Shall not exceed the Endorsor/Guarantor's total assets multiply 1.5.

(Note 6) Shall not exceed twice the Endorsor/Guarantor's total assets.

(Note 7) Shall not exceed 60% of net asset value of the Endorsor/Guarantor.

(Note 8) Shall not exceed 100% of net asset value of the Endorsor/Guarantor.

(Note 9) Shall not exceed 50% of pad capital of the Endorsor/Guarantor.

(Note 10) Shall not exceed 100% of pad capital of the Endorsor/Guarantor.

(Note 11) Shall not exceed three times net asset value of the Endorsor/Guarantor.

(Note 12) Shall not exceed five times net asset value of the Endorsor/Guarantor.

(Note 13) The balance of which is at its maximum balance of endorsement/guarantee provided to others in the current year.

(Note 14) It is the company and its subsidiaries approved by the board of directors to endorse the guarantee quota/amount for others.

(Note 15) It is the actual amount spent by the endorsed guarantee company within the range of the endorsed guarantee balance.

(Note 16) The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 3: Securities held as of 31 December 2019. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities(Note1)	Relationship	Financial statement account	as of 31 December 2020				Note
				Shares (thousand)	Book value (thousands)	Percentage of ownership (%)	Fair value	
The Company	Unisted (counter) stock-Harbin Kuo Toong Pipeline Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	\$95,025	25.00%	\$95,025	Not pledged
	Unisted (counter) stock-Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	-	10.42%	-	Not pledged
	Unisted (counter) stock-Jihben International Development Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	3,000,000	-	18.00%	-	Not pledged
	Unisted (counter) stock-Yuangang Industrial Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	2,000,000	-	5.00%	-	Not pledged
Jie Mao International Co., Ltd.	Unisted (counter) stock-Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	-	9.73%	-	Not pledged

(Note 1) Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments'.

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2020

Related party	Counterparty	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Terms	Unit Price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	Construction revenue	\$314,606	22.47%	-	-	In accordance with the project contract, the payment will be received after the payment is assessed phase by phase	Accounts receivable \$1,527,974	88.31%	(Note1)
	Kuo Chuang Engineering Co., Ltd.	Subsidiary	Sales revenue-net	319,396	22.81%	-	-	According to the sales contract, the payment will be collected month by month	Accounts receivable -	0.00%	(Note1)
Kuo Yang Environment Technology Co., Ltd.	The Company	Ultimate parent company of Kuo Yang	Construction costs	314,606	66.11%	-	-	Payment according to project contract assessment progress	Accounts receivable 1,527,974	99.94%	(Note1)
Kuo Chuang Engineering Co., Ltd.	The Company	Ultimate parent company of Kuo Chang	Purchase-net	319,396	97.14%	-	-	Pay monthly according to the purchase contract	Accounts receivable -	0.00%	(Note1)

(Note1) The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 5: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2020

Related party	Counterparty	Relationship	Amount	Average amount turnover	Overdue account receivable-related parties		Amount received in subsequent period	Allowance for doubtful debts	Note
					Amount	Processing method			
The Company	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	Accounts receivable \$1,527,974 Other receivables – interests receivable \$23,923	21.11%	-	-	\$31,312	-	(Note1)
Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Subsidiary of Marvel Line Co., Ltd.	Other receivables -financial accommodation \$248,064 Other receivables – interests receivable \$71,595	-	-	-	-	-	(Note1)

(Note1) The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 6: Names, locations, main businesses and products, original investment amount, investment as of 31 December, 2020 and 2019, net income (loss) of investee company and investment income (loss) recognized as of 31 December, 2020 and 2019: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2020			Net income (loss) of investee company	Investment income (loss) recognized (Note2)	Note
				Ending balance	Beginning balance	Number of shares(thousand)	Percentage of ownership(%)	Book value (Note1)			
The Company	KuoToong International LLC.	Dealaware, USA	Engaged in reinvestment holding activities	\$23,625	\$23,625	680,000	100.00%	\$629,355	\$(4,695)	\$(3,324)	(Note 4)
	Xiyu Seawater Desalination Co., Ltd.	Zuoying district, Kaohsiung	Water supply management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	88,000	88,000	8,800,000	100.00%	13,318	(31,405)	(31,405)	(Note 4)
	Jie Mao International Co., Ltd.	Zuoying district, Kaohsiung	Building materials wholesale, building materials retail, international trade and machinery wholesale, etc.	109,000	109,000	10,900,100	100.00%	84,987	18,381	18,381	(Note 4)
	Kuo Hsin Technology Co., Ltd.	Zuoying district, Kaohsiung	Chemical material manufacturing and water supply management	316,500	316,500	31,650,000	73.60%	67,799	(63,579)	(46,794)	(Note 4)
	Jianyi Construction Co., Ltd.	Zuoying district, Kaohsiung	Construction, dredging, sand and gravel, silt marine dumping, etc.	174,235	174,235	17,000,000	100.00%	148,651	(1,165)	(1,165)	(Note 4)
	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	5,319	5,319	183,488	0.76%	2,489	(4,692)	276	(Note 4)
	Dinteng Co, Ltd.	Zuoying district, Kaohsiung	Energy technology services, water supply management, machinery, equipment manufacturing and installation piping engineering, other environmental sanitation and pollution prevention services, etc.	1,363,692	1,363,692	75,924,714	50.50%	1,511,052	138,113	63,742	(Note 4)
	Mega Resource Co., Ltd.	Zuoying district, Kaohsiung	Energy Technology Service and Investment Company	-	100	-	-	-	-	-	(Note 3)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2020			Net income (loss) of investee company	Investment income (loss) recognized (Note2)	Note
				Ending balance	Beginning balance	Number of shares(thousand)	Percentage of ownership(%)	Book value (Note1)			
Jie Mao International Co., Ltd.	Kuo Chuang Engineering Co., Ltd.	Zuoying district, Kaohsiung	Water supply management and piping works, etc.	60,000	60,000	6,000,000	100.00%	86,064	18,400	18,400	(Note 4)
Kuo Toong International LLC.	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	731,352	731,352	23,897,211	99.24%	650,561	(4,692)	(4,656)	(Note 4)
Dinteng Co, Ltd.	Kuo Yang Environment Technology Co., Ltd.	Miaoli County	Machinery installation, other environmental sanitation and pollution prevention services, etc.	2,697,221	2,697,221	231,910,522	100.00%	2,999,946	136,492	136,492	(Note 4)

(Note1) The book value of the investment using the equity method is the net amount after deducting the unrealized gains and losses of downstream transactions.

(Note2) The investment income recognized for this period had eliminated unrealized gain or loss on the transactions between the Company and its investees.

(Note3) The liquidation of Mega Resource Co., Ltd. has been completed in June 24, 2020.

(Note4) The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 7: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of 1 January 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2020	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2020	Accumulated Inward Remittance of Earnings as of 31 December 2020
					Outflow	Inflow						
Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 2)	Design, research, manufacturing, etc. of equipment and materials for seawater desalination and sewage treatment projects	\$480,800 (CNY 100,000 thousand)	(1) Marvel Line Co., Ltd.	\$432,318 (USD 14,519 thousand)	\$-	\$-	\$432,318 (USD 14,519 thousand)	\$(15,912)	91.00%	\$(14,480)	\$324,662	-
Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	Sewage treatment and recycling, tap water production and supply, etc.	19,331 (CNY 3,950 thousand)	(2) Xiamen Kuo Hsin Century Technology Co., Ltd.	-	-	-	-	176	47.47%	84	3,023	-
Xiamen Xiangyu Rural Environmental Ecological Technology Co., Ltd.	Engineering and technical research and experimental development, environmental sanitation management, sewage treatment and its recycling	4,894 (CNY 1,000 thousand)	(2) Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	-	-	-	-	10,142	30.86%	-	(2,665)	-
Fujian Taiming Casting Pipe Technology (Stock) Company (Note 2)	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipes, various pipe fittings, fittings and precision casting products manufacturing	1,644,467 (CNY 350,000 thousand)	(1) 、(2) Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 6)	725,181 (USD 23,813 thousand)	-	-	725,181 (USD 23,813 thousand)	(134,253)	55.00%	(72,978)	632,408	-
Fujian Taiming Trading Co., Ltd. (Note 2)	Machinery equipment, building materials, OEM products wholesale and trade brokerage and agency	21,910 (CNY 5,000 thousand)	(2) Fujian Taiming Casting Pipe Technology (Stock) Company	-	-	-	-	(22,401)	100.00%	(22,401)	(23,776)	-
Linwu Taiming Pipe Industry Technology Co., Ltd. (Note 2)	Manufacturing of ductile iron pipes and special-shaped pipe fittings, various precision casting products	(Note 4)	(2) Fujian Taiming Casting Pipe Technology (Stock) Company	-	-	-	-	(3,218)	100.00%	(3,218)	(3,993)	-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 7)
\$1,256,862 (USD44,209 thousand) (Note 6)	\$1,256,862 (USD44,209 thousand) (Note 6)	\$3,894,131

(Note1) Methods of investment are divided into three: :

(1) Indirectly investment in Mainland China through companies registered in a third region. ; (2) Reinvest with mainland China company's own funds ; (3)Other

(Note2) The above transactions were all made between consolidated entities in the Group and have been reversed.

(Note3) The investment income recognized for this period included unrealized gains and loss.

(Note4) As of 31 December 2020, accumulated prepaid investment is NTD 28,723 thousand (CNY6,600 thousand).

(Note5) Accumulated investment outflow of the Company from Taiwan is USD 23,813 thousand (converted to NTDS725,181 thousand) ; the accumulated indirect investment in Mainland China from the Company is CNY40,000 thousand(converted to NTD181,800thousand) °

(Note6) The amount of reinvestment in the mainland area includes Xinjiang Guotong Pipeline Co., Ltd., Harbin Guotong Pipeline Co., Ltd. and Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.

(Note7) According to the provisions of 97.8.22 “Investment or Technical Cooperation Licensing in Mainland China” and “Investment or Technical Cooperation Review Principles in Mainland China”, the cumulative amount of investors' investment in mainland China depends on the upper limit of other enterprises: net value or a combined net value of 60%, whichever is higher.

KUO TOONG INTERNATIONAL CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

31 December 2020

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

Item	Description	Total	Note
Cash		\$921	1.The exchange rate of the US dollar to the NTD is 1:28.43.
Petty cash		1,217	
Subtotal		2,138	
Bank Check Deposits		1,197	2.The exchange rate of the RMB to the NTD is 1:4.352.
Bank Deposits-NT Dollars		90,318	
Bank Deposits-Foreign currency	USD 61,983.59	1,762	3.The exchange rate of the EUR to the NTD is 1:34.82.
	RMB 3,914.39	17	
	EUR 431.51	15	
Subtotal		93,309	
Total		\$95,447	

KUO TOONG INTERNATIONAL CO., LTD.

2. STATEMENT OF NOTES RECEIVABLE

31 December 2020

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

Client	Description	Amount	Note
Client A		\$4,368	The amount of individual client in others does not exceed 5% of the account balance.
Client B		569	
Client C		473	
Others		162	
Subtotal		5,572	
Less: Allowance for doubtful debts		-	
Net amount		\$5,572	

KUO TOONG INTERNATIONAL CO., LTD.

3. STATEMENT OF ACCOUNTS RECEIVABLE

31 December 2020

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

Client	Description	Amount	Note
Client A		\$67,217	The amount of individual client in others does not exceed 5% of the account balance.
Client B		53,350	
Client C		47,911	
Client D		10,688	
Others		17,433	
Subtotal		196,599	
Less: Allowance for doubtful debts		(7,393)	
Net amount		\$189,206	

KUO TOONG INTERNATIONAL CO., LTD.

4. STATEMENT OF INVENTORIES

31 December 2020

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

Item	Description	Amount		Note
		Cost	Market Price	
Raw materials		\$45,296	\$33,147	The market price is the net realizable value.
Work in process		97,255	89,655	
Finished goods		113,709	90,712	
Total		256,260	\$213,514	
Less: Allowance for inventory valuation losses		(42,746)		
Net amount		\$213,514		

KUO TOONG INTERNATIONAL CO., LTD.
5. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED
FOR UNDER THE EQUITY METHOD

31 December 2020

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

Investee Company	Beginning Balance		Additions				Decrease				Ending Balance		Fair value/Net assets value		Accrual basis %	Collateral	Note
	Shares(In thousands)	Amount	Shares(In thousands)		Amount		Shares(In thousands)		Amount		Shares(In thousands)	Amount	Unit price (NTD)	Total Amount			
Kuo Toong International Llc.	680	\$621,910	-		\$10,769	(Note 2)	-		\$(3,324)	(Note 1)	680	\$629,355	956.97	\$650,737	100%	None	
Xiyu Seawater Desalination Co., Ltd.	8,800	35,272	-		9,451	(Note 3)	-		(31,405)	(Note 1)	8,800	13,318	1.51	13,318	100%	None	
Jie Mao International Co., Ltd.	10,900	66,176	-		18,381	(Note 1)	-		(294)	(Note 7)	10,900	84,987	7.90	86,112	100%	None	
					1,848	(Note 3)			(1,124)	(Note 5)							
Jianyi Construction Co., Ltd.	17,000	183,837	-		-		-		(1,165)	(Note 1)	17,000	148,651	8.74	148,651	100%	None	
									(34,021)	(Note 6)							
Kuo Hsin Technology Co., Ltd.	31,650	114,593	-		-		-		(46,794)	(Note 1)	31,650	67,799	2.14	67,799	73.60%	None	
Dinteng Co, Ltd.	68,813	1,447,310	7,112	(Note 7)	63,742	(Note 1)	-		-		75,925	1,511,052	19.98	1,517,039	50.50%	(Note 8)	
Fujian Taiming Casting Pipe Technology Co, Ltd.	152,500	548,810	-		8,388	(Note 2)	-		(57,632)	(Note 1)	152,500	499,566	3.32	506,458	43.57%	None	
Marvel Line Co., Ltd.	183	2,144	-		276	(Note 1)	-		-		183	2,489	27.22	4,982	0.76%	None	
					69	(Note 2)											
Mega Resource Co., Ltd.	10	50					(10)	(Note 4)	(50)	(Note 4)	-	-	-	-	-	None	
Total		\$3,020,102			\$112,924				\$(175,809)			\$2,957,217					

(Note 1) The equity method recognizes investment income (loss).

(Note 2) Exchange differences resulting from translating the financial statements of a foreign operations

(Note 3) Downstream transactions are written off.

(Note 4) The disposal of investment (including disposal loss) in the current period.

(Note 5)The unrealized sales benefit of the current period

(Note 6)Goodwill impairment loss.

(Note 7)Cash dividends and stock dividends paid by subsidiaries.

(Note 8) 35,300 thousand shares are mortgaged for bank loans and corporate bond guarantee.

KUO TOONG INTERNATIONAL CO., LTD.

6.STATEMENT OF LONG-TERM RECEIVABLES

31 December 2020

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

Client	Description	Amount	Note
Client A		\$426,943	The amount of individual client in others does not exceed 5% of the account balance.
Total		\$426,943	

KUO TOONG INTERNATIONAL CO., LTD.

7.STATEMENT OF NOTES PAYABLE

31 December 2020

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

Client	Description	Amount	Note
Client A		\$9,557	The amount of individual client in others does not exceed 5% of the account balance.
Client B		8,763	
Client C		6,540	
Client D		4,748	
Others		40,697	
Total		\$70,305	

KUO TOONG INTERNATIONAL CO., LTD.

8.STATEMENT OFACCOUNTS PAYABLE

31 December 2020

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

Client	Description	Amount	Note
Client A		\$89,146	The amount of individual client in others does not exceed 5% of the account balance.
Client B		54,579	
Client C		27,483	
Client D		21,658	
Client E		20,418	
Others		209,276	
Total		\$422,560	

KUO TOONG INTERNATIONAL CO., LTD.

9.STATEMENT OF OPERATING REVENUES

For the year ended 31 December 2020

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

Item	Amount	Amount	Note
Construction revenue		\$705,835	
Operating revenue			
Steel pipe	702.90 M	19,007	
Steel pipe parts	1.00 Set	39,312	
Desalted sea water	1,681,770 Cubic Meter	73,061	
Ductile cast iron pipe	2,462 Tube	521,117	
Ductile cast iron pipe pats	1.00 Set	11,669	
Set of tubes	61 Tube	5,147	
Curved tubes	49 Tube	4,354	
End Ring	563 Group	7,365	
Others		12,572	
Subtotal		693,604	
Labor revenue		689	
Total		\$1,400,128	

KUO TOONG INTERNATIONAL CO., LTD.

10.STATEMENT OF OPERATING COSTS

For the year ended 31 December 2020

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

Item	Amount	Note
Cost of Goods Sold of Self-made Product		
Direct material : Beginning of year	\$37,326	
Add : Raw material purchased	299,215	
Transferred from Finished goods	3,905	
Transferred from merchandise	4,802	
Transferred from conversion	13,328	
Less : Raw material, end of year	(45,296)	
Sold raw materials	(7,599)	
Transferred to conversion	(16,631)	
Transferred to expense	(35,818)	
Supplies and parts used	253,232	
Direct labor	69,804	
Factory overheads	219,498	
Manufacturing cost	542,534	
Add : Work in process, beginning of year	132,823	
Add : Transferred from material	16,631	
Less : Transferred to material	(13,328)	
Work in process, end of year	(97,255)	
Cost of finished goods	581,405	
Finished goods, beginning of year	69,088	
Add : Finished goods purchased	7,352	
Transferred from other account	267	
Less : Finished goods, end of year	(113,709)	
Transferred to material	(3,905)	
Transferred to construction work-in-process	(92,542)	
Transferred to prepaid for equipments	(80)	
Transferred to expense	(55)	
Cost of Goods Sold of Self-made Product	447,821	
Cost of Goods Sold of Merchandise		
Merchandise : Beginning of year	4,816	
Less: turn to raw material	(4,802)	
Turn to expenses	(14)	
Commodity inventory at the end of the period	-	
Cost of Goods Sold of Merchandise	-	
Invoicing cost	447,821	
Cost of raw materials sold	7,599	
Revenue from sale of scraps	(3,517)	
Reduction of inventory to market	4,567	
Others	16,771	
Construction costs	629,567	
Total operating costs	\$1,102,808	

KUO TOONG INTERNATIONAL CO., LTD.

11.STATEMENT OF MANUFACTURING EXPENSES

For the year ended 31 December 2020

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

Item	Amount	Note
Water, electricity and gas charges	\$60,047	The amount of individual client in others does not exceed 5% of the account balance.
Depreciation	40,756	
Indirect labor	26,414	
Repair fee	13,931	
Others	78,350	
Total	\$219,498	

KUO TOONG INTERNATIONAL CO., LTD.

12. STATEMENT OF OPERATING EXPENSES

For the year ended 31 December 2020

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

Item	Marketing expenses	Management expenses	Research and development exxpenses	Expected credit impairment loss	Total	Note
Salary expenses	\$3,849	\$31,323	\$3,577	\$-	\$38,749	The amount of individual client in others does not exceed 5% of the account balance.
Stationery expenses	345	610	39	-	994	
Travel expenses	423	1,693	107	-	2,223	
Insurance fee	439	1,806	369	-	2,614	
Communication fee	779	501	-	-	1,280	
Rent expense	-	11,091	499	-	11,590	
Labor fee	-	7,976	607	-	8,583	
Financial expenses	-	4,800	-	-	4,800	
Depreciation	-	621	1,583	-	2,204	
Miscellaneous purchases	-	585	911	-	1,496	
Consumables	-	-	1,106	-	1,106	
Expected credit impairment (benefits)	-	-	-	(1,367)	(1,367)	
Other expenses	497	10,640	1,423	-	12,560	
Total	\$6,332	\$71,646	\$10,221	\$(1,367)	\$86,832	