

**KUO TOONG INTERNATIONAL CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020  
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.

## REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of KUO TOONG INTERNATIONAL CO., LTD. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements .” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, KUO TOONG INTERNATIONAL CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

KUO TOONG INTERNATIONAL CO., LTD.

By Hong, Ya-Man

Chairman

31 March 2022

## **Independent Auditors' Report Translated from Chinese**

To KUO TOONG INTERNATIONAL CO., LTD.

### **Opinion**

We have audited the accompanying consolidated balance sheets of KUO TOONG INTERNATIONAL CO., LTD. (“the Company”) and its subsidiaries (the “Group”) as of 31 December 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2021 and 2020, and their consolidated financial performance and cash flows for the years ended 31 December 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China on Taiwan.

### **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 on Taiwan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China on Taiwan (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 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 1. Operating Revenue

For the years ended 31 December 2021, the Group's public work construction revenue amounted to NT\$1,164,821 thousand which constituted 25% of total consolidated revenue, and is significant to the Group's consolidated financial statements. Because public work construction revenue is gradually satisfied over time and recognize revenue by degree of completion while the degree of completion is measured as the cumulative cost incurred as a proportion of the estimated total contract cost. The assumptions used in relation to the estimated total contract costs may involve significant management estimates and judgements, therefore we determined this as a key audit matter.

Our audit procedures included but not limited to assessing the timing and accuracy regarding the recognition of construction revenues and costs; selecting samples of significant contracts and interviewing management to understand the specific clauses involving recognition of revenue in each significant contract; selecting samples to test the rationality of estimated amount about total cost of contracts, the degree of completion of contracts, the reasonableness of the variable consideration of contracts and onerous contract losses; check the relevant vouchers of the current cost and expenses to confirm the correctness of the current construction in progress; recalculate the completion percentage to confirm the rationality of the recognition of revenue.

We also assessed the adequacy of disclosures of public work construction revenue. Please refer to Notes V and VI to the Group's consolidated financial statements.

## 2. The evaluation of accounts receivable

As of 31 December 2021, the balance of accounts receivable and allowance for doubtful accounts amounted to NT\$903,497 thousand and NT\$117,759 thousand, respectively. Net accounts receivable constituted a material amount of 6 % of total consolidated assets, which was considered material in the consolidated statements. Since the allowance for doubtful accounts was measured at the lifetime expected credit loss, the account receivables should be appropriately grouped during the measurement process and determine the use of related assumptions in the analysis and measurement, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, confirming whether the customer groups with significantly different loss patterns are appropriately grouped; testing the preparation matrix, including assessing whether the decision of each group of aging intervals is reasonable, and based on the basis information sampling the original vouchers to check their correctness; testing the post-period collection of receivables to assess their recoverability; analyzing the long-term trend change of the allowance loss and the turnover rate of accounts receivable.

We also assessed the adequacy of disclosures of relevant contingent liabilities. Please refer to Notes V and VI to the Group's consolidated financial statements.

### 3. Contingent Liabilities – Fines to Overdue Construction

Kuo Toong Group'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 Group 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 Group disclosed contingent liabilities appropriately.

We also assessed the adequacy of disclosures of contingencies. Please refer to Notes V and IX to the Group's consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China on Taiwan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 on Taiwan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
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 and its subsidiaries. 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated 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 and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 consolidated 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**

KUO TOONG INTERNATIONAL CO., LTD. has prepared parent company only financial reports in 2021 and 2020, and the auditor's report with unqualified opinions were issued by auditors, that have been filed for reference.

Huang, Shih-Chieh

Lee, Fang-Wen

Ernst & Young, Taiwan  
31 March 2022

## 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 on Taiwan.

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2021	31 Dec. 2020
Current Assets			
Cash and cash equivalents	IV/VL.1	\$696,200	\$486,321
Financial assets measured at amortized cost-current	IV/VL.3、21/VIII	1,182,426	1,252,408
Current contract assets	IV/VL.20、21	1,534,616	1,304,616
Notes receivable-net	IV/VL.4、21	21,675	14,353
Accounts receivable-net	IV/VL.5、12、21/VIII	785,738	922,151
Other receivables	VL.6	393,613	4,947
Inventories-net	IV/VL.7	1,091,511	900,755
Other current assets	IV/VL.8/VII	645,750	467,668
Construction refundable deposits		88,300	66,433
Total current assets		6,439,829	5,419,652
Non-current assets			
Financial assets at fair value through other comprehensive income-noncurrent	IV/VL.2	95,025	95,025
Financial assets measured at amortized cost-non-current	IV/VL.3、21/VIII	127,175	124,777
Investments accounted for under equity method	IV/VL.9	3,197	3,023
Property, plant and equipment	IV/VL.10/VIII	1,399,304	1,510,849
Right of use assets	IV/VL.22/VIII	142,252	149,839
Intangible assets	IV/VL.11、12	1,365,568	1,254,167
Deferred tax assets	IV/VL.26	64,426	73,627
Guarantee deposits paid	VIII	77,449	42,564
Long-term receivables	VL.5、12/VIII	3,381,694	3,907,439
Other non-current assets -others	IV/VL.8	188,793	86,287
Total non-current assets		6,844,883	7,247,597
Total Assets		\$13,284,712	\$12,667,249

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



English Translation of Financial Statements Originally Issued in Chinese  
 KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 31 December 2021 and 2020  
 (Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2021	31 Dec. 2020
Current liabilities			
Short-term loans	IV/VL.13/VII/VIII	\$1,495,326	\$1,638,392
Short-term notes payable	IV/VL.14	9,958	9,976
Current contract liabilities	IV/VL.20	179,379	214,028
Notes payable		189,599	231,574
Accounts payable		768,174	805,276
Accounts payable -related parties	VII	327	-
Other payables	VI.15	463,639	483,971
Other payables - related parties	VII	19,850	23,310
Current tax liabilities	IV/VL.26	130,214	6,517
Lease liability-current	IV/VL.22	526	511
Bonds due within one year or one business cycle	IV/VL.16/VIII	249,951	
Long-term loans due within one year or one business cycle	IV/VL.17/VII/VIII	992,020	795,367
Other current liabilities - others		32,597	34,166
Total current liabilities		4,531,560	4,243,088
Non-current liabilities			
Bonds payable	IV/VL.16/VIII	-	249,755
Long-term loans	IV/VL.17/VIII	1,355,783	1,095,092
Deferred tax liabilities	IV/VL.26	251,929	233,250
Lease liability-non current	IV/VL.22	15,145	15,698
Net defined benefit liabilities - non current	IV/VL.18	27,305	43,522
Refundable deposits received		359,999	296,626
Total non-current liabilities		2,010,161	1,933,943
Total liabilities		6,541,721	6,177,031
Equity attributable to the parent company			
Capital	IV/VL.19		
Common stock		2,480,782	2,480,782
Capital surplus	IV/VL.19	1,470,181	1,470,181
Retained earnings	IV/VL.19		
Legal reserve		355,058	345,099
Special reserve		241,753	267,662
Unappropriated earnings		502,813	101,677
Subtotal		1,099,624	714,438
Other equity	IV/VL.25		
Exchange differences resulting from translating the financial statements of a foreign operations		(150,187)	(142,386)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(99,367)	(99,367)
Subtotal		(249,554)	(241,753)
Total Equity attributable to the parent company		4,801,033	4,423,648
Non controlling interests	IV/VL.19、28	1,941,958	2,066,570
Total equity		6,742,991	6,490,218
Total liabilities and equity		\$13,284,712	\$12,667,249

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

English Translation of Financial Statements Originally Issued in Chinese  
KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended 31 December 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

Items	Notes	2021	2020
Operating revenues	IV/V1.20	\$4,621,035	\$3,708,311
Operating costs	IV/V1.7、11、23/VII	(3,552,571)	(2,866,660)
Gross profit		1,068,464	841,651
Operating expenses	IV/V1.11、22、23/VII		
Sales and marketing expenses		(252,876)	(273,683)
General and administrative expenses		(160,528)	(151,307)
Research and development expenses		(21,008)	(17,356)
Expected credit impairment (losses) profit	IV/V1.21	(38,245)	(32,489)
Subtotal		(472,657)	(474,835)
Operating income		595,807	366,816
Non-operating income and expenses			
Other revenue	V1.24	37,404	24,955
Other gain and loss	V1.24	(44,057)	(88,733)
Financial costs	V1.24	(98,188)	(85,859)
Share of profit or loss of associates and joint ventures	IV/V1.9	197	84
Subtotal		(104,644)	(149,553)
Income from continuing operations before income tax		491,163	217,263
Income tax expense	IV/V1.26	(164,126)	(102,438)
Net income		327,037	114,825
Other comprehensive income(lose)	IV/V1.25		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plan		(1,451)	(31,851)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		-	6,683
Income tax related to items that may not be reclassified subsequently		290	6,370
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operations		(11,083)	28,459
Total other comprehensive income(lose), net of tax		(12,244)	9,661
Total comprehensive income		\$314,793	\$124,486
Net income(lose) attributable to:			
Stockholders of the parent		\$448,367	\$125,071
Non controlling interests		(121,330)	(10,246)
		\$327,037	\$114,825
Comprehensive income attributable to:			
Stockholders of the parent		\$439,405	\$125,499
Non controlling interests		(124,612)	(1,013)
		\$314,793	\$124,486
Earnings per share (NTD)			
Earnings per share-basic	IV/V1.27	\$1.81	\$0.50
Earnings per share-diluted	IV/V1.27	\$1.80	\$0.50

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

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company									Non controlling interests	Total Equity
	Common Stock	Capital surplus	Retained earnings			Other equity		Treasury Stock	Subtotal		
			Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translating the financial statements of a foreign operations	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income				
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	\$2,067,583	\$6,442,870
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)	-	(57,322)
Net income for the year ended 31 December 2020	-	-	-	-	125,071	-	-	-	125,071	(10,246)	114,825
Other comprehensive income, net of tax for the year ended 31 December 2020	-	-	-	-	(25,481)	19,226	6,683	-	428	9,233	9,661
Total comprehensive income	-	-	-	-	99,590	19,226	6,683	-	125,499	(1,013)	124,486
Treasury stock acquired	-	-	-	-	-	-	-	(19,816)	(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>	<u>\$2,066,570</u>	<u>\$6,490,218</u>
Balance as of 1 January 2021	\$2,480,782	\$1,470,181	\$345,099	\$267,662	\$101,677	\$(142,386)	\$(99,367)	\$-	\$4,423,648	\$2,066,570	\$6,490,218
Appropriation and distribution of 2020 retained earning											
Legal Reserve	-	-	9,959	-	(9,959)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(62,020)	-	-	-	(62,020)	-	(62,020)
Reversal of special reserve	-	-	-	(25,909)	25,909	-	-	-	-	-	-
Net income for the year ended 31 December 2021	-	-	-	-	448,367	-	-	-	448,367	(121,330)	327,037
Other comprehensive income, net of tax for the year ended 31 December 2021	-	-	-	-	(1,161)	(7,801)	-	-	(8,962)	(3,282)	(12,244)
Total comprehensive income	-	-	-	-	447,206	(7,801)	-	-	439,405	(124,612)	314,793
Balance as of 31 December 2021	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$355,058</u>	<u>\$241,753</u>	<u>\$502,813</u>	<u>\$(150,187)</u>	<u>\$(99,367)</u>	<u>\$-</u>	<u>\$4,801,033</u>	<u>\$1,941,958</u>	<u>\$6,742,991</u>

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

English Translation of Financial Statements Originally Issued in Chinese  
 KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the years ended 31 December 2021 and 2020  
 (Expressed in Thousands of New Taiwan Dollars)

Items	2021	2020	Items	2021	2020
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$491,163	\$217,263	Acquisition of financial assets at amortized cost	(2,398)	(308,758)
Adjustments for:			Disposal of financial assets at amortized cost	69,982	-
Income and expense adjustments:			Acquisition of property, plant and equipment	(73,581)	(115,455)
Depreciation	138,511	135,936	Disposal of property, plant and equipment	5,449	2,360
Amortization	58,990	54,835	Increase in refundable deposits	(56,752)	-
Expected credit impairment (gain) losses	38,245	32,489	Decrease in refundable deposits	-	110,657
Interest expense	98,188	85,859	Acquisition of intangible assets	(140)	-
Interest revenue	(15,356)	(17,394)	Decrease in other non-current assets	(100,993)	46,854
Share of loss (profit) of associates and joint ventures accounted for under equity method	(197)	(84)	Net cash used in investing activities	(158,433)	(264,342)
Loss on disposal of property, plant and equipment	30,465	4,975			
Impairment loss on non-financial assets	8,709	91,199	Cash flows from financing activities:		
Unrealized foreign currency exchange gains	(9,533)	(16,856)	Increase in short-term loans	1,777,068	2,082,298
Income and expense adjustments:	348,022	370,959	Decrease in short-term loans	(1,903,744)	(2,338,595)
Changes in operating assets and liabilities:			Decrease in short-term notes payable	(18)	(24)
Contract assets	(321,101)	(375,757)	Increase in long-term loans	1,669,868	950,980
Notes receivable-net	(7,322)	(8,308)	Decrease in long-term loans	(1,202,228)	(579,358)
Accounts receivable-net	197,487	25,493	Decrease in deposits received	65,433	137,024
Other receivables	(15,562)	(6,673)	Payments of lease liabilities	(538)	(941)
Inventories	(190,756)	(130,547)	Cash dividends	(62,020)	(57,322)
Other current assets	(182,990)	(214,656)	Treasury stock buyback cost	-	(19,816)
Contract liabilities	(34,649)	(70,218)	Net cash used in financing activities	343,821	174,246
Notes payable	(41,975)	72,302			
Notes payable - related parties	-	(4,280)	Effect of exchange rate changes on cash and cash equivalents	(15,028)	22,492
Accounts payable	(37,102)	80,941			
Accounts payable - related parties	327	(107,759)	Net Increase (Decrease) in cash and cash equivalents	209,879	(144,242)
Other payables	(18,640)	203,340	Cash and cash equivalents at beginning of period	486,321	630,563
Other payables - related parties	(3,460)	1,048	Cash and cash equivalents at end of period	\$696,200	\$486,321
Other current liabilities	(1,569)	12,113			
Accrued pension liabilities	(17,668)	(3,737)			
Cash generated from operations	164,205	61,524			
Interest received	15,356	17,394			
Interests paid	(125,303)	(110,489)			
Income tax paid	(14,739)	(45,067)			
Net cash provided by operating activities	39,519	(76,638)			

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

English Translation of Financial Statements Originally Issued in Chinese  
KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended 31 December 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

I. HISTORY AND ORGANIZATION

- (1) KUO TOONG INTERNATIONAL CO., LTD. (the “Company”) was incorporated under the laws of the Republic of China (the “ROC”) 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 consolidated financial statements of the Company and subsidiaries (hereinafter referred to as “the Company”) for the years ended 31 December 2021 and 2020 were authorized for issue in accordance with a resolution of the Board of directors on 31 March 2022.

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 Group 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 2021. The application of these new standards and amendments had no material impact on the Group.

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 Group as at the end of the reporting period are listed below.

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	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

(a) 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 Group is preparing the asset for its intended use. Instead, a company will recognize 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.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that are applicable for annual periods beginning on or after 1 January 2022 have no material impact on the Group.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group 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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	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 carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

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

IFRS 17 was issued in May 2017 and it was amended in June 2020 and 2021. 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) 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.

(e) 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.



(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

#### IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 *Interim Financial Reporting* as endorsed and became effective by the FSC.

##### 2. Basis of preparation

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

##### 3. Basis of consolidation

###### Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			31Dec. 2021	31Dec. 2020	Notes
The Company	Kuo Toong International LLC.	Investment Company	100.00%	100.00%	

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			31Dec. 2021	31Dec. 2020	Notes
The Company	Hsiyu Seawater Desalination Co., Ltd.	Tap water management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	100.00%	100.00%	
The Company	Jie Mao International Co., Ltd.	Building materials wholesale, retail, international trade and machinery wholesale, etc.	100.00%	100.00%	
The Company	Kuo Hsin Technology Co., Ltd.	Chemical material manufacturing and water supply management	73.60%	73.60%	
The Company	Jianyi Construction Co., Ltd.	Construction, dredging, sandstone, Silt sea throwing, etc.	100.00%	100.00%	
The Company	Marvel Line Co., Ltd.	Investment Company	0.76%	0.76%	
The Company	Fujian Tai Ming Casting Pipes Technology Co, Ltd.	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipe, various pipe fittings, accessories and precision casting products manufacturing	43.5714%	43.5714%	
The Company	Dinteng Co, Ltd.	Energy technology service, running water operating, manufacturing and installation of mechanical equipment, pipe arrangement	50.50%	50.50%	
Kuo Toong International LLC.	Marvel Line Co., Ltd.	Investment company	99.24%	99.24%	
Jie Mao International Co., Ltd.	Kuo Chuang Engineering Co., Ltd.	Running water operating and pipe arrangement	100.00%	100.00%	

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			31Dec. 2021	31Dec. 2020	Notes
Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Design, R&D, manufacturing and wholesale of equipment or materials for seawater desalination and sewage disposal projects	91.00%	91.00%	
Fujian Taiming Cast Pipe Technology Co., Ltd.	Fujian Taiming Trading Co., Ltd.	Machinery equipment, building materials, OEM products wholesale and trade brokerage and agency	100.00%	100.00%	
Fujian Taiming Cast Pipe Technology Co., Ltd.	Linwu Taiming Pipe Industry Technology Co., Ltd.	Ductile iron pipe, specials and various of precision products manufacturing	100.00%	100.00%	
Dinteng Co, Ltd.	Kuo Yang Environment Technology Co., Ltd.	Installation of machine, Other businesses such as environmental sanitation and pollution prevention services	100.00%	100.00%	
Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Cast Pipe Technology Co., Ltd.	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipe, various pipe fittings, accessories and precision casting products manufacturing	11.4286%	11.4286%	

#### 4. Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities 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:

- (a) 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.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) 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.

## 5. 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.

## 6. Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group 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 Group expects to settle the liability in its normal operating cycle
- (b) The Group 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 Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

## 7. Cash and cash equivalents

Cash and cash equivalents comprises 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.

## 8. Financial instruments

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

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

### (1) Financial instruments: Recognition and Measurement

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

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

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

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group 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 Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group 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 Group 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 Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group 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 instruments

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

### 9. 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 Group.

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 Group 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.

## 10. 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.

## 11. Service Concession Agreement

### (1) Recognition and Measurement

The Group (operator) and the government agency (grantor) entered into a public and private service concession agreement that met the following conditions, which shall be treated in accordance with IFRIC No.12 "Service Concession Agreement":

- A. the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price
- B. the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement

The Group provides construction or upgrading services, the consideration received or receivable should be recognized as financial assets or intangible assets at fair value.

Due to construction services, the Group has the unconditional contractual right to receive cash or another financial asset from the grantor or in accordance with the grantor's instructions to recognize it as a financial asset within the range of contractual right; Financial asset accounting policy is detailed in Note IV(8) "Financial Instruments".

The Group recognizes intangible assets within the range of obtaining the right (license) to charge public service users. The right to charge public service users is not the unconditional right to receive cash, because the amount that can be collected depends on the extent to which the public uses the service. Intangible assets (concession) accounting policies are detailed in Note IV(15) "Intangible Assets".

If part of the payment for the construction services provided by the Group is financial assets and part is intangible assets, each component of the consideration must be treated separately. The two components of the consideration received or receivable shall be recognized at the fair value of the consideration received or receivable at the time of initial recognition.

#### (2) Building or Upgrading Services

The Group treated the revenue and costs related to construction or upgrading services in accordance with IFRS 15, as detailed in Note IV(18) "Recognition of Revenue".

#### (3) Operating Services

The Group treated the revenue and costs related to operating services in accordance with IFRS 15, as detailed in Note IV(18) "Recognition of Revenue".

### 12. Investments accounted for using the equity method

The Group'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 Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group 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 or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture 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 Group disposes the associate or joint venture.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture 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 Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, 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 or an investment in a joint venture 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 or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture 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 or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

### 13. 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 Group 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
Other Equipment	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.

### 14. Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.



For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

### Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and

- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

#### Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

## 15. 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.

### Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) With intention to complete the intangible asset and use or sell it.
- (c) How the intangible asset will generate probable future economic benefits.
- (d) The availability of adequate technical, financial and other resources to complete the development
- (e) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

#### Franchise

Franchise is granted 15 to 31 years of use.

#### Computer software

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

The Group's intangible assets accounting policies are as follows:

	Franchise	Computer software
Useful life	15~31 years	3~10 years
Amortization methods	Use straight method amortized under estimated useful life	Use straight method amortized under estimated useful life
Internally generated or outside acquisition	Outside acquisition	Outside acquisition

### 16. Impairment of non-financial assets

The Group 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 Group 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 Group 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.

## 17. Provisions

Provisions are recognized when the Group 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 Group 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.

## 18. Revenue recognition

The Group'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 Group 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 products of the Group are prestressed concrete pipes and ductile iron pipes etc. Revenue from these sales is based on the price specified in the contract.

The credit period of the Group'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.

## Contracting for construction

The Group is engaged in the contracting business of public constructions, since the assets are controlled by customers when they are under construction, revenue is gradually recognized over time on the basis of the percentage of construction costs incurred among the estimated total contract costs. 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 based on the number of overdue days) are estimated at the most likely amount. The Group only recognizes revenue within the range where the accumulated revenue is highly unlikely to undergo a major reversal. 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 has been charged when signing the contract, if it is impossible to reasonably measure the percentage of completion of the project contract performance obligations, the contract revenue is only recognized within the expected recoverable cost range.

When the Group expects that the unavoidable cost of fulfilling the obligations of a construction contract exceeds the expected economic benefits from the contract, it shall recognize the provision for onerous contract.

If the situation changes, the estimation of revenue, cost and completion will be revised, and during the period when the management noticed the change of the situation and make the correction, the resulting increase or decrease will be reflected in profit or loss.

### 19. Borrowing cost

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.

### 20. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries 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 and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries 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. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

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 Group 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.

## 21. Share-based payment transactions

The cost of equity-settled share-based payment transaction between the Group and its staffs 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 Group'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.

## 22. 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 Group 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 Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

## 1. Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

The use of IFRS 12 "Service Concession Agreement" and the classification of receivables and intangible assets under the Service Concession Agreement.

The Group determines whether the terms of agreement are applicable to IFRS 12 "Service License Agreement" in accordance with the following conditions:

- A. the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price
- B. the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement

The service concession agreement signed by the Group determines whether the construction or upgrading service provided meets the requirements of IFRS12 for unconditionally charging cash or other financial assets from the grantor or in accordance with the grantor's instructions, to distinguish the classification between receivables and intangible assets.

## 2. Estimation and assumptions

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

### (1) Revenue Recognition

The Group's recognition of contract profit and loss is based on the degree of completion of contract activities to recognize contract revenue and contract costs respectively, and measure the percentage of completion based on the ratio of contract costs incurred to date to the estimated total contract costs. The Group considers the nature of each project, estimated construction period, project, construction process, construction method, estimated contract amount and other factors to estimate the total contract cost. Any change 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 income approach (for example the discounted cash flow model) or the 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) Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts 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.

## (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 Group 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. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in 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 Group 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 Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future 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 Group 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. 2021	31 Dec. 2020
Cash on hand	\$3,007	\$3,119
Check Deposit	180	1,212
Saving Account	693,013	481,990
Total	<u>\$696,200</u>	<u>\$486,321</u>

## 2. Financial assets at fair value through other comprehensive income

	31 Dec. 2021	31 Dec. 2020
Equity instrument investments measured at fair value through other comprehensive income – Non-current		
Unlisted companies stocks	\$95,025	\$95,025

The Group 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 Group did not recognize dividends for the years ended 31 December 2021 and 2020.

## 3. Financial assets measured at amortized cost

	31 Dec. 2021	31 Dec. 2020
Time Deposits	\$740,346	\$761,663
Saving Account-pledge account	569,255	615,522
Total	\$1,309,601	\$1,377,185
Current	\$1,182,426	\$1,252,408
Non-current	127,175	124,777
Total	\$1,309,601	\$1,377,185

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

Please refer to Note VI (21) for more details on accumulated impairment and Note VIII for more details on financial assets measured at amortized cost under pledge and Note XII for more details on credit risk.

## 4. Notes Receivable

	31 Dec. 2021	31 Dec. 2020
Notes receivable	\$21,675	\$14,353
Less: allowance for doubtful accounts	-	-
Total	\$21,675	\$14,353

No notes receivable were pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note VI (21) for more details on accumulated impairment and Note XII for more details on credit risk.

## 5. Accounts Receivable and Long-term Receivable

	31 Dec. 2021	31 Dec. 2020
Accounts Receivable	\$772,906	\$885,577
Service Concession Accounts Receivable	3,512,285	3,598,890
Long-term Receivable (Note)	-	426,943
Less: allowance for doubtful accounts	(117,759)	(81,820)
Total	<u>\$4,167,432</u>	<u>\$4,829,590</u>
Current(Recognized as accounts receivable - net)	\$785,738	\$922,151
Non-current(Recognized as long term accounts receivable)	3,381,694	3,907,439
Total	<u>\$4,167,432</u>	<u>\$4,829,590</u>

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

Trade receivables are generally regulated by contracts. Account receivable amounted to NT\$ 4,285,191 thousand and NT\$ 4,911,410 thousand as at 31 December 2021 and 2020. Please refer to Note VI (21) for more details on impairment of trade receivables for the years ended 31 December 2021 and 2020 and please refer to Note XII for credit risk disclosure.

Please refer to Note VI(12) for the description of the service concession accounts receivable.

(Note) the Group's long-term receivable As the Group settled the case of "New Construction of Hushan Water Purification Plant", with the proprietor, was transferred to other receivable. Please refer to Note IX(V).1 for more details.

## 6. Other Receivable

	31 Dec. 2021	31 Dec. 2020
Other receivable	\$448,652	\$59,886
Less: allowance for doubtful accounts	(55,039)	(54,939)
Total	<u>\$393,613</u>	<u>\$4,947</u>

The Group information changes of loss allowance of other receivables for the years ended 31 December 2021 and 2020 are as follows:

	Other Receivable
1 Jan. 2021	\$54,939
Increase in other receivable	771
Write-off due to uncollectible	(2)
Exchange difference	(669)
31 Dec. 2021	<u>\$55,039</u>
1 Jan. 2020	\$46,536
Increase in other receivable	8,235
Write-off due to uncollectible	-
Exchange difference	168
31 Dec. 2020	<u>\$54,939</u>

#### 7. Inventories

	31 Dec. 2021	31 Dec. 2020
Raw materials	\$138,844	\$131,785
Work in progress	347,046	201,558
Finished goods	588,930	562,792
Merchandise	16,691	4,620
Total	<u>\$1,091,511</u>	<u>\$900,755</u>

The cost of inventories recognized in expenses amounted to NT\$2,484,374 thousand and NT\$2,090,007 thousand for the years ended 31 December 2021 and 2020, respectively, including the write-down of inventory gains from price loss of NT\$5,205 thousand and NT\$33,723 thousand for the years ended 31 December 2021 and 2020, respectively.

No Inventories were pledged.

#### 8. Other Current Assets and Other Non-current Assets

	31 Dec. 2021	31 Dec. 2020
Prepayments	\$495,711	\$375,011
Prepayments for equipment	102,068	44,237
Tax Overpaid Retained for Offsetting the Future Tax Payable	92,888	59,027
Others	143,876	75,680
Total	<u>\$834,543</u>	<u>\$553,955</u>
Current	\$645,750	\$467,668
Non-current	188,793	86,287
Total	<u>\$834,543</u>	<u>\$553,955</u>

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

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

#### 9. Investments Accounted For Under The Equity Method

Details are as follows:

Investee Company	31 Dec. 2021		31 Dec. 2020	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in Associates				
Xiamen Xiangyu Water Environmental Protection Technology Engineering Co., Ltd.	<u>\$3,197</u>	47.47%	<u>\$3,023</u>	47.47%

#### Investments in Associates

The Group's investments in the associates are not individually material. The related share of investment from the associates amounted to NT\$3,197 thousand and NT\$3,023 thousand for the years ended 31 December 2021 and 2020.

The aggregate financial information of the Group's investments in associates is as follows:

	2021	2020
Profit or loss from continuing operations	\$197	\$84
Other comprehensive income (post-tax)	(23)	49
Total comprehensive income	<u>\$174</u>	<u>\$133</u>

The aforementioned investment related companies had no contingent liabilities or capital commitments on 31 December 2021 and 2020, nor did they provide guarantees.

#### 10. Property, plant and equipment

	31 Dec. 2021	31 Dec. 2020
Owner occupied property, plant and equipment	<u>\$1,399,304</u>	<u>\$1,510,849</u>



# Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Other Equipment	Construction in progress	Total
Cost:						
1 Jan. 2021	\$112,911	\$572,182	\$1,946,735	\$252,195	\$82,409	\$2,966,432
Addition	-	19,981	42,481	11,119	-	73,581
Disposal	-	(1,073)	(80,147)	(2,828)	-	(84,048)
Other	-	4,951	(39,086)	251	20,492	(13,392)
Exchange Difference	-	(2,400)	(6,772)	(738)	(693)	(10,603)
31 Dec. 2021	<u>\$112,911</u>	<u>\$593,641</u>	<u>\$1,863,211</u>	<u>\$259,999</u>	<u>\$102,208</u>	<u>\$2,931,970</u>
1 Jan. 2020	\$112,911	\$552,051	\$1,860,704	\$210,732	\$94,767	\$2,831,165
Addition	-	6,802	67,077	18,729	22,847	115,455
Disposal	-	-	(31,113)	(2,420)	(18)	(33,551)
Other	-	8,338	34,666	23,657	(36,479)	30,182
Exchange Difference	-	4,991	15,401	1,497	1,292	23,181
31 Dec. 2020	<u>\$112,911</u>	<u>\$572,182</u>	<u>\$1,946,735</u>	<u>\$252,195</u>	<u>\$82,409</u>	<u>\$2,966,432</u>
Depreciation and impairment:						
1 Jan. 2021	\$-	\$204,523	\$1,117,693	\$133,367	\$-	\$1,455,583
Depreciation	-	18,739	102,066	14,697	-	135,502
Impairment (Note)	-	-	8,709	-	-	8,709
Disposal	-	(306)	(45,411)	(2,417)	-	(48,134)
Other	-	-	(16,371)	48	-	(16,323)
Exchange Difference	-	(514)	(1,975)	(182)	-	(2,671)
31 Dec. 2021	<u>\$-</u>	<u>\$222,442</u>	<u>\$1,164,711</u>	<u>\$145,513</u>	<u>\$-</u>	<u>\$1,532,666</u>
1 Jan. 2020	\$-	\$182,026	\$1,006,498	\$120,398	\$-	\$1,308,922
Depreciation	-	20,684	98,803	12,736	-	132,223
Impairment (Note)	-	-	34,306	2,295	-	36,601
Disposal	-	-	(23,881)	(2,335)	-	(26,216)
Other	-	767	(1,888)	(53)	-	(1,174)
Exchange Difference	-	1,046	3,855	326	-	5,227
31 Dec. 2020	<u>\$-</u>	<u>\$204,523</u>	<u>\$1,117,693</u>	<u>\$133,367</u>	<u>\$-</u>	<u>\$1,455,583</u>
Net book value:						
31 Dec. 2021	<u>\$112,911</u>	<u>\$371,199</u>	<u>\$698,500</u>	<u>\$114,486</u>	<u>\$102,208</u>	<u>\$1,399,304</u>
31 Dec. 2020	<u>\$112,911</u>	<u>\$367,659</u>	<u>\$829,042</u>	<u>\$118,828</u>	<u>\$82,409</u>	<u>\$1,510,849</u>

(Note) The Group reduced part of the PPE to recoverable amounts for the year ended 31 December 2021 and 2020, resulting in an impairment loss of NT\$8,709 thousand and NT\$36,601 thousand, which was recognized in the non-operating income and expenses of the consolidated income statement. Please refer to Note VI(24) for details.

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

# 11. Intangible assets

	Goodwill	Franchise	Computer software	Development cost	Total
Cost:					
1 Jan. 2021	\$47,088	\$1,481,039	\$4,156	\$43,197	\$1,575,480
Addition - acquired separately (Note1)	-	170,457	140	-	170,597
Other	-	-	(250)	-	(250)
Exchange Difference	-	-	(3)	-	(3)
31 Dec. 2021	<u>\$47,088</u>	<u>\$1,651,496</u>	<u>\$4,043</u>	<u>\$43,197</u>	<u>\$1,745,824</u>
1 Jan. 2020	\$47,088	\$1,341,491	\$3,684	\$43,197	\$1,435,460
Addition - acquired separately (Note1)	-	139,548	-	-	139,548
Other	-	-	465	-	465
Exchange Difference	-	-	7	-	7
31 Dec. 2020	<u>\$47,088</u>	<u>\$1,481,039</u>	<u>\$4,156</u>	<u>\$43,197</u>	<u>\$1,575,480</u>
Amortization and impairment:					
1 Jan. 2021	\$47,088	\$227,874	\$3,154	\$43,197	\$321,313
Amortization	-	58,632	358	-	58,990
Impairment (Note2)	-	-	(47)	-	(47)
Exchange Difference	-	-	-	-	-
31 Dec. 2021	<u>\$47,088</u>	<u>\$286,506</u>	<u>\$3,465</u>	<u>\$43,197</u>	<u>\$380,256</u>
1 Jan. 2020	\$13,067	\$153,254	\$2,362	\$43,197	\$211,880
Amortization	-	54,043	792	-	54,835
Impairment	34,021	20,577	-	-	54,598
Exchange Difference	-	-	-	-	-
31 Dec. 2020	<u>\$47,088</u>	<u>\$227,874</u>	<u>\$3,154</u>	<u>\$43,197</u>	<u>\$321,313</u>
Net book value:					
31 Dec. 2021	<u>\$-</u>	<u>\$1,364,990</u>	<u>\$578</u>	<u>\$-</u>	<u>\$1,365,568</u>
31 Dec. 2020	<u>\$-</u>	<u>\$1,253,165</u>	<u>\$1,002</u>	<u>\$-</u>	<u>\$1,254,167</u>

(Note1) The separate acquisition of franchise was transferred from the reclassification of contract assets.

(Note2) The Company reduced some of its intangible assets to recoverable amounts for the year ended 31 December 2020, resulting in an impairment loss of \$54,598 thousand, which was recognized in the non-operating income and expenses in the consolidated income statement. Refer to Note VI (24) for details.

As at 31 December 2021 and 2020, the amount of intangible assets of the Group as a result of the service license agreement amounted to NT\$1,607,029 thousand and NT\$1,436,571 thousand respectively. Please refer to Note VI(12) for details.

The Group's acquisition of 100% equity of Jianyi Construction Co., Ltd. in July 2012 generated goodwill, mainly due to the expected merger synergy, revenue growth and future market development, etc. According to IAS 36, goodwill obtained from a business merger shall be tested for impairment at least once a year. When the impairment test was performed, the goodwill was related to the cash-generating unit of Jianyi Construction Co., Ltd., and the impairment of goodwill was calculated by the recoverable amount of the cash-generating unit and the estimated carrying amount of net assets; it was assessed whether impairment is required. As Jianyi Construction Co., Ltd. failed to win the construction project bid, the actual operating income growth was not as high as expected. For the year ended 31 December 2020, the Group appointed an external independent valuation expert who evaluated that the recoverable amount of the cash-generating unit was less than the book value, and was recognized as loss impairment in the amount of NT\$34,021 thousand has been recognized.

The subsidiary, Hsiyu Desalination Co., Ltd., booked the construction costs invested during the construction period of the "Private Participation in the Construction and Operation of the Penghu Hsiyu Desalination Plant" as the cost of concession acquisition on 27 December 2005. In accordance with International Accounting Standards No. 36, companies should assess whether there are signs of possible impairment of intangible assets on the balance sheet date. Since the actual operating income of Hsiyu Desalination Co., Ltd. was not as high as expected, the Company assessed that the recoverable amount of the cash-generating unit was less than the book value from 1 January to 31 December 2020, so an impairment loss of NT\$20,577 thousand was recognized.

Intangible assets amortization are as follows:

	2021	2020
Included in cost of goods sold :	\$58,660	\$54,113
Included in operating expenses :	330	722
Total	<u>\$58,990</u>	<u>\$54,835</u>

No intangible assets was pledged.

## 12. Service Concession Agreement

The Group signed a service concession agreement with Miaoli County Government (grantor) on 24 December 2008 to construct a sewerage system. The construction began in January 2009, and was completed and started operations on 23 August 2012. According to the agreement, the Group should be responsible for the operation of the sewerage system on 1 January 2012 for a term of 32 years. The Group is responsible for all maintenance services during the agreement term.

If the Group has a material breach of contract and fails to start operations in accordance with the contract, the grantor has the right to terminate the agreement. If the grantor has a material breach of contract and the Group is unable to perform the contract due to legal changes, the Group has the right to terminate the agreement.

The Group considers that the fair value of the consideration receivable for the construction or upgrading services provided should be recognized as financial assets or intangible assets. According to the service concession agreement, the Group expects to receive the price within the term of the agreement and select an appropriate discount rate to calculate the present value of the consideration receivable. As at 31 December 2021 and 2020, the amount of intangible assets generated by the Group as a result of the aforementioned service concession agreement amounted to NT\$1,607,029 thousand and NT\$1,436,571 thousand, respectively.

As at 31 December 2021 and 2020, the Group's receivables recognized by the discounted value of the consideration receivable due to the service concession agreement on each reporting day are as follows:

	31 Dec. 2021	31 Dec. 2020
Service Concession Receivable	\$3,512,285	\$3,598,890
Current	\$130,591	\$118,395
Non-current	3,381,694	3,480,495
Total	\$3,512,285	\$3,598,890

The Group's interest income from financial assets (reported under other operating income) amounted to NT\$166,383 thousand and NT\$169,639 thousand, as at 31 December 2021 and 2020, the interest receivable amounted to NT\$55,461 thousand and NT\$42,410 thousand, respectively, which were booked under the accounts receivable. In addition, the service concession receivables have been used as long-term and short-term loans and financing line guarantees. For details please refer to Note VIII.

### 13. Short-term Loans

	Interest rate range	31 Dec. 2021	31 Dec. 2020
Unsecured Loans	1.72%~2.75%	\$145,781	\$61,000
Secured Loans	1.73%~5.09%	1,331,626	1,559,335
Related Party Loans	3.85%~6.00%	17,919	18,057
Total		<u>\$1,495,326</u>	<u>\$1,638,392</u>

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

### 14. Short-term notes payable

The Group's net short-term notes are as follow:

	31 Dec. 2021	31 Dec. 2020
Commercial paper payable	\$10,000	\$10,000
Less: Discount of commercial paper payable	(42)	(24)
Total	<u>\$9,958</u>	<u>\$9,976</u>

### 15. Other Payable

	31 Dec. 2021	31 Dec. 2020
Salaries Payable	\$47,802	\$49,896
Other expenses payable	279,212	257,288
Equipment payments payable	74,023	83,016
Other payable - other	62,602	93,771
Total	<u>\$463,639</u>	<u>\$483,971</u>

### 16. Bonds Payable

	31 Dec. 2021	31 Dec. 2020
Secured and non-convertible bonds	\$250,000	\$250,000
Less: Discount of bonds payable	(49)	(245)
Net	249,951	249,755
Less: Current portion	(249,951)	-
Total	<u>\$-</u>	<u>\$249,755</u>

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

(2) Please refer to Note VI (24) for the interest expenses of bonds payable.

## 17. Long-term Loans

Details are as follows:

Creditors	31 Dec. 2021	Interest Rate(Note)	Redemption
Fubon Bank Secured Loan (Administrative bank of syndicate loan amount)	\$950,700		From 11 September 2013 to 30 June 2028, repayment began on 30 June 2014. The quarterly repayment amount shall not be less than the agreed minimum amount by both parties, and interest is paid monthly.
Export–Import Bank Secured Loan	23,316		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.
Shanghai Commercial Bank Secured Loan	14,000		From 20 December 2019 to 20 September 2023, repayment began on 20 January 2020, amortized and interest paid monthly.
Shanghai Commercial Bank Secured Loan	34,000		From 22 March 2021 to 22 March 2026, repayment began on 22 April 2021, amortized and interest paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	829,248 (CNY192,000 thousand)		From 30 December 2019 to 8 October 2022, after loans are drawn within the credit line, each loan is repaid in full upon maturity of each drawdown principal, and interest is paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	10,366 (CNY2,400 thousand)		From 6 January 2020 to 8 October 2022, the grace period is 12 months. After the grace period expires, the principal is amortized in 5 installments, and interest is paid monthly.
Taiwan Cooperative Bank Secured Loan	163,470		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	16,656		From 3 September 2020 to 3 August 2022, interest was paid on a monthly basis and principal was repaid at maturity.
FCB Leasing Co., Ltd. Credit Loan	53,526		From 5 November 2021 to 5 April 2023, interest and principal were paid on a monthly basis..

Creditors	31 Dec. 2021	Interest Rate(Note)	Redemption
Taichung Bank Leasing Co., Ltd. Credit Loan	142,259		From 15 October 2021 to 15 March 2026, interests are paid on a monthly basis and will be deducted at 40% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
Taichung Bank Leasing Co., Ltd. Credit Loan	31,250		From 22 March 2021 to 22 March 2023, amortized and interest paid monthly.
Xiamen Bank Credit Loan	86,380 (CNY 20,000 thousand)		From 9 September 2021 to 9 December 2022, the balance will be repaid, in a lamp sum upon maturity, interest is paid quarterly.
Subtotal	2,355,171		
Less: current portion	(992,020)		
Less: unamortized expenses	(7,368)		
Total	<u>\$1,355,783</u>		

Note: Interest rate range is between 1.65%~5.94%.

Creditors	31 Dec. 2020	Interest Rate(Note)	Redemption
Fubon Bank Secured Loan (Administrative bank of syndicate loan amount)	\$993,100		From 11 September 2013 to 30 June 2028, repayment began on 30 June 2014. The quarterly repayment amount shall not be less than the agreed minimum amount by both parties, and interest is paid monthly.
Export-Import Bank Secured Loan	46,633		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.
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	20,827		From 6 June 2019 to 6 May 2021, interest was paid on a monthly basis and principal was repaid at maturity.

Creditors	31 Dec. 2020	Interest Rate(Note)	Redemption
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.
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.
FCB Leasing Co., Ltd. Credit Loan	20,457		From 25 December 2019 to 25 June 2021, repayment began on 25 January 2020, amortized and interest paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	40,387 (CNY 9,280 thousand)		From 23 October 2019 to 1 February 2021, the grace period is 6 months. After the grace period expires, the principal is amortized in 3 installments, and interest is paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	20,890 (CNY 4,800 thousand)		From 6 January 2020 to 8 October 2022, the grace period is 12 months. After the grace period expires, the principal is amortized in 5 installments, and interest is paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	609,280 (CNY 140,000 thousand)		From 30 December 2019 to 8 October 2022, after loans are drawn within the credit line, each loan is repaid in full upon maturity of each drawdown principal, and interest is paid monthly.
Subtotal	1,900,357		
Less: current portion	(795,367)		
Less: unamortized expenses	(9,898)		
Total	<u>\$1,095,092</u>		

Note: Interest rate range from 1.65%~5.94%.

- (1) Please refer to Note VIII for the mortgage as collateral of aforementioned long-term borrowing.
- (2) Subsidiary- KUO YANG ENVIRONMENT TECHNOLOGY CO., LTD. entered into a contract with a syndicated loan bank group (Taipei Fubon Commercial Bank and other seven companies) in the third quarter of 2013 for constructing and operating the sewerage project of Miaoli County Government. During the loan period, the annual financial report of KUO YANG ENVIRONMENT TECHNOLOGY CO., LTD. is committed to maintaining the following financial ratios:



- A. Debt-to-Equity ratio:  $(\text{Total Debt} / \text{Tangible Net Value} + \text{Building Connection Project Net Value})$ : Not higher than 165%.
- B. Times Interest Earned Ratio  $[(\text{Profit after Tax} + \text{Depreciation} + \text{Amortization} + \text{Net Interest Expense}) / (\text{Net Interest Expense})]$ , not less than 2 times.
- C.  $(\text{Tangible Net Value} + \text{Building Connection Project Net Value})$ : Not less than "Equity Capital Amount of \$30 million.

In addition, the subsidiary signed the fourth supplementary contract with the syndicated loan bank group in February 2020. The credit period was extended to 30 June 2028, and the minimum amount of quarterly repayment was adjusted.

- (3) Subsidiary- In order to repay the previous loans, the need of funds to purchase machines and equipment and replenish capital for material procurement in the third quarter of 2019, Fujian Tai Ming Casting Pipe Technology Co., Ltd. signed a contract with a syndicated loan bank group (First Commercial Bank, Industrial and Commercial Bank of China and other five companies). During the loan period, the annual financial report of Fujian Tai Ming Casting Pipe Technology Co., Ltd., the annual or semi-annual consolidated financial report of the Group, are committed to maintaining the following financial ratios. If the following requirements are not met, from the notification date of the credit line management bank to the date when the financial ratio meets the agreement, the interest rates of all syndicated loans in this contract should be marked up by 0.10%.

The Group's annual or semi-annual consolidated financial report is committed to maintaining the following ratios:

- A. The ratio of current assets to current liabilities shall not be less than 100%.
- B. The ratio of total liabilities to net tangible assets shall not be higher than 200%.
- C. The net value of tangible assets should not be less than NT\$4 billion at any time.

Subsidiary-Fujian Tai Ming Casting Pipe Technology Co., Ltd. annual financial report, is committed to maintaining the following ratio:

- A. The net value of tangible assets should not be less than RMB 200 million at any time.

- (4) The Group has stipulated multiple default clauses in accordance with the syndicated loan contract. In the event of a breach, the syndicated loan bank group has the right to suspend the use of the credit line, cancel the unutilized credit line, or demand immediate repayment of the used but unpaid principal balance and related costs.

## 18. Post-Employment Benefits

### Defined contribution plan

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

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended 31 December 2021 and 2020 are NT\$20,256 thousand and NT\$7,542 thousand, respectively.

### Defined benefits plan

The Group 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 Group 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 Group and subsidiaries make 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 a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes control and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard 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 IAS 19. The Company expects to contribute NT\$866 thousand to its defined benefit plan during the 12 months beginning after 31 December 2021.

The defined benefit obligations were expected to mature in 2029 as at 31 December 2021 and 2020, respectively.

The following table summarizes the cost of the defined benefit plan recognized to profit and loss:

	2021	2020
Current Service Cost	\$1,724	\$764
Net interest on the Net Defined Benefit Liability (Asset)	126	145
Total	<u>\$1,850</u>	<u>\$909</u>

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

	31 Dec. 2021	31 Dec. 2020	1 Jan. 2020
Defined benefit obligation	\$64,324	\$78,732	\$56,163
Plan assets at fair value	(37,019)	(35,210)	(34,385)
Net defined benefit liabilities	<u>\$27,305</u>	<u>\$43,522</u>	<u>\$21,778</u>

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
1 Jan. 2020	56,163	(34,385)	21,778
The Cost of Defined Benefit Plan recognized to Profit and Loss:			
Current service cost	764	-	764
Interest expense (income)	381	(236)	145
Subtotal	57,308	(34,621)	22,687
Remeasurements of the defined benefit liabilities/assets:			
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)
Contribution by employer	-	(1,446)	(1,446)
31 Dec. 2020	\$78,732	\$(35,210)	\$43,522
The Cost of Defined Benefit Plan recognized to Profit and Loss:			
Current service cost	1,724	-	1,724
Interest expense (income)	229	(103)	126
Subtotal	80,685	(35,313)	45,372
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	(1,047)	-	(1,047)
Experience adjustments	3,046	-	3,046
Remeasurements of the defined benefit assets	-	(548)	(548)
Subtotal	1,999	(548)	1,451
Payment of benefit obligation	(18,360)	6,390	(11,970)
Contribution by employer	-	(7,548)	(7,548)
31 Dec. 2021	\$64,324	\$(37,019)	\$27,305

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

	31 Dec. 2021	31 Dec. 2020
Discount Rate	0.47%	0.29%
Expected rate of salary increase	1.00%	1.00%

	2021		2020	
	Defined benefit obligations increase	Defined benefit obligations decrease	Defined benefit obligations increase	Defined benefit obligations decrease
Discount Rate increase by 0.25%	\$-	\$(1,421)	\$-	\$(1,736)
Discount Rate decrease by 0.25%	1,472	-	1,798	-
Rate of future salary increase by 0.25%	1,439	-	1,757	-
Rate of future salary decrease by 0.25%	-	(1,397)	-	(1,705)

The sensitivity analysis 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 analysis 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 analysis compared to the previous period.

## 19. Equity

### (1) Common stock

As at December 31 2021 and 2020, the Company's authorized common share capital totaled NT\$3,000,000 thousand, each at a par value of \$10 for 300,000 thousand shares. Both the issued share capital amounted to NT\$2,480,782 thousand, at a par value of \$10 per share, for 248,078 thousand shares. Each share has one voting right and the right to receive dividends.

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. 2021	31 Dec. 2020
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	38,932
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>\$1,470,181</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 or in the form of dividend shares 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 was \$17.31 per share.

The Company retired 1,146 thousand treasury shares on 13 July 2020, totaling NT\$19,816 thousand, including the retired share 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 set aside 10% as legal reserve and special reserve according to the company laws 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.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Jin-Guan-Cheng-Fa-Zi-1090150022, which sets out the following provisions for compliance:

On a public company’s first-time adoption of the IFRS, for any unrealized revaluation gain 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 an amount 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 special reserve set aside was both NT\$39,793 thousand as of 1 January 2021 and 2020. In addition, the Company did not use, dispose of or reclassify any related assets from 1 January to 31 December 2021 and 2020, therefore they did not reverse the retained earnings to undistributed retained earnings. As at 31 December 2021 and 2020, 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 2020 and 2019 were approved respectively through the shareholders’ meeting on 22 July 2021 and 19 June 2020 as follows:

	Appropriation of earnings		Cash dividend per share	
	2020	2019	2020	2019
Legal reserve	\$9,959	\$18,902		
Special reserve	(25,909)	119,426		
Cash dividends	62,020	57,322	NT\$0.25 /per share	NT\$0.23 /per share

The Company's distribution of earnings and cash dividends per share in 2021 was not proposed at the board meeting held on 31 March 2022.

Please refer to Note VI (23) for relevant information about estimation basis and recognized amounts for employees' compensation and remuneration to directors.

(5) Non-controlling interests:

	2021	2020
Balance as of 1 January	\$2,066,570	\$2,067,583
Attributable to non-controlling interests net income	(121,330)	(10,246)
Attributable to non-controlling interests other comprehensive income:		
Exchange differences resulting from translating the financial statements of foreign operations	(3,282)	9,233
Balance as at 31 December	<u>\$1,941,958</u>	<u>\$2,066,570</u>

20. Operating Revenues

	2021	2020
Revenue from client contracts		
Sales - Merchandise	\$2,579,455	\$2,498,792
Sales - Construction	1,534,967	912,557
Sales- Rendering of Services	340,230	127,323
Other Sales Revenue	166,383	169,639
Total	<u>\$4,621,035</u>	<u>\$3,708,311</u>

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

(1) Disaggregation of revenue

For the year ended 31 December 2021:

	Taiwan Operating Department	China Operating Department	Total
Pipe Fittings	\$671,656	\$1,907,799	\$2,579,455
Public Work Construction Revenue	1,164,821	-	1,164,821
Water Treatment Project Venture			
Revenue-Service Concession Agreement	370,146	-	370,146
Water Treatment Operation Maintenance Revenue	279,172	-	279,172
Service Concession Interest Revenue	166,383	-	166,383
Service Revenue	61,058	-	61,058
Total	<u>\$2,713,236</u>	<u>\$1,907,799</u>	<u>\$4,621,035</u>



	Taiwan Operating Department	China Operating Department	Total
Timing of Revenue Recognition:			
Goods Transferred at a point in Time	\$671,656	\$1,907,799	\$2,579,455
Construction Transferred Over Time	1,534,967	-	1,534,967
Labor Transferred Over Time	340,230	-	340,230
Recognized Over Time by Effective Interest Rate Method	166,383	-	166,383
Total	<u>\$2,713,236</u>	<u>\$1,907,799</u>	<u>\$4,621,035</u>

For the year ended 31 December 2020:

	Taiwan Operating Department	China Operating Department	Total
Pipe Fittings	\$676,193	\$1,822,599	\$2,498,792
Public Work Construction Revenue	530,737	-	530,737
Water Treatment Project Venture			
Revenue-Service Concession Agreement	381,820	-	381,820
Water Treatment Operation Maintenance Revenue	126,579	-	126,579
Service Concession Interest Revenue	169,639	-	169,639
Service Revenue	744	-	744
Total	<u>\$1,885,712</u>	<u>\$1,822,599</u>	<u>\$3,708,311</u>

	Taiwan Operating Department	China Operating Department	Total
Timing of Revenue Recognition:			
Goods Transferred at a point in Time	\$676,193	\$1,822,599	\$2,498,792
Construction Transferred Over Time	912,557	-	912,557
Labor Transferred Over Time	127,323	-	127,323
Recognized Over Time by Effective Interest Rate Method	169,639	-	169,639
Total	<u>\$1,885,712</u>	<u>\$1,822,599</u>	<u>\$3,708,311</u>

(2) Contract balances

A. Contract assets - current

	31 Dec. 2021	31 Dec. 2020	1 Jan. 2020
Public Work Construction	\$746,577	\$752,697	\$691,133
Service Concession Agreement	788,039	551,919	347,415
Total	<u>\$1,534,616</u>	<u>\$1,304,616</u>	<u>\$1,038,548</u>

The engineering retention generated by the Group'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 Group, which usually exceeds one year. The retention receivables as at 31 December 2021, 31 December 2020, and 1 January 2020 amounted to NT\$82,883 thousand, NT\$51,965 thousand and NT\$30,917 thousand, respectively, classified as contract assets.

The capitalized amount of contract asset borrowing costs and their interest rates are as follows:

Project	2021	2020
Service Concession Agreement	\$25,619	\$29,859
Capitalized borrowing cost interest rate range	2.25%~3.50%	2.24%~4.29%

B. Contract liabilities – current

	31 Dec. 2021	31 Dec. 2020	1 Jan. 2020
Public Work Construction	\$108,706	\$171,253	\$221,796
Advance Receipts	70,673	42,775	62,450
Total	<u>\$179,379</u>	<u>\$214,028</u>	<u>\$284,246</u>

- (3) The changes in contract assets and contract liabilities are mainly due to the difference between the time when the Group 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 2021 and 2020.

21. Expected credit losses / (gains)

	2021	2020
Operating Expense- Expected credit losses		
Contract Assets	\$-	\$-
Notes Receivable	-	-
Accounts Receivable	37,474	24,254
Total	<u>\$37,474</u>	<u>\$24,254</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 Group transacts with are financial institutions with good credit, no allowance for losses has been provided in 2021 and 2020.

The Group 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 Group 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 follow:

- (1) As at December 2021 and 2020, the total book value of the contract assets was NT\$1,534,616 thousand and NT\$1,304,616 thousand, respectively, and the amount of loss allowance measured by the expected credit loss rate of 0% was NT\$0 thousand.
- (2) Accounts receivable are divided into groups based on factors such as counterparty credit rating, region, and industry. Provision matrix is used to measure the loss allowance. For counterparties facing financial difficulties, individual assessments are adopted for loss allowance. The total accounts receivable as at 31 December 2021 and 2020 amounted to NT\$26,029 thousand and NT\$26,228 thousand, respectively; the allowance amounted to NT\$26,029 thousand and NT\$26,228 thousand, respectively. The related information is as follows:

As at 31 December 2021

Group 1: Taiwan

	Not yet due (Note)	Overdue				Total
		<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$3,851,458	\$-	\$-	\$-	\$9,398	\$3,860,856
Loss ratio	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	9,398	9,398
Carrying amount	\$3,851,458	\$-	\$-	\$-	\$-	\$3,851,458

Note: The Group's note receivables are not overdue.

Group 2: Mainland China (Receivables from government)

	Age of Receivables					Total
	1-120 days	121-240 days	241-360 days	361-720 days	>=721 days	
Gross carrying amount	\$116,452	\$25,478	\$1,170	\$96,267	\$18,412	\$257,779
Loss ratio	0%	0%	0%	0%	0%	
Lifetime expected credit losses	-	-	-	-	-	-
Carrying amount	\$116,452	\$25,478	\$1,170	\$96,267	\$18,412	\$257,779

Group 3: Mainland China (Receivables not from government)

	Not yet due	Overdue				Total
		<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$68,811	\$1,229	\$4,200	\$44,960	\$43,002	\$162,202
Loss ratio	0.00%~ 0.93%	6.10% ~11.54%	28.04% ~40.81%	53.87% ~100%	100%	
Lifetime expected credit losses	952	142	2,315	35,921	43,002	82,332
Carrying amount	\$67,859	\$1,087	\$1,885	\$9,039	\$-	\$79,870

As at 31 December 2020

Group 1: Taiwan

	Not yet due (Note)	Overdue				Total
		<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$4,285,935	\$-	\$384	\$-	\$9,998	\$4,296,317
Loss ratio	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	9,998	9,998
Carrying amount	\$4,285,935	\$-	\$384	\$-	\$-	\$4,286,319

Note: The Group's note receivables are not overdue.

Group 2: Mainland China(Receivables from government )

	Age of Receivables					Total
	1-120 days	121-240 days	241-360 days	361-720 days	>=721 days	
Gross carrying amount	\$171,430	\$52,238	\$15,925	\$119,894	\$6,638	\$366,125
Loss ratio	0%	0%	0%	0%	0%	
Lifetime expected credit losses	-	-	-	-	-	-
Carrying amount	\$171,430	\$52,238	\$15,925	\$119,894	\$6,638	\$366,125

Group 3: Mainland China(Receivables not from government )

	Not yet due	Overdue				Total
		<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$170,090	\$25,333	\$-	\$17,384	\$24,286	\$237,093
Loss ratio	0%~ 1.49%	9.53% ~12.37%	32.88% ~45.00%	63.97% ~100%	100%	
Lifetime expected credit losses	1,815	2,851	-	16,642	24,286	45,594
Carrying amount	\$168,275	\$22,482	\$-	\$742	\$-	\$191,499

The movement in the provision for impairment of contract assets, note receivables, trade receivables and other receivables for the years ended 31 December 2021 and 2020 is as follows:

	Contract Assets	Note Receivables	Trade Receivables
1 Jan. 2021	\$-	\$-	\$81,820
Addition/(reversal) for the current period	-	-	37,474
Write off	-	-	(1,789)
Exchange differences	-	-	254
31 Dec. 2021	<u>\$-</u>	<u>\$-</u>	<u>\$117,759</u>
1 Jan. 2020	\$-	\$-	\$56,796
Addition/(reversal) for the current period	-	-	24,254
Write off	-	-	-
Exchange differences	-	-	770
31 Dec. 2020	<u>\$-</u>	<u>\$-</u>	<u>\$81,820</u>

## 22. Leases

### (1) Group as a lessee

The Group leases land. The lease terms range from 20 to 50 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

#### A. Amounts recognized in the balance sheet

##### (a) Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2021	31 Dec. 2020
Land	<u>\$142,252</u>	<u>\$149,839</u>

For the years ended 31 December 2021 and 2020, the Group's additions to right-of-use assets amounting to NT\$0 thousand.

(b) Lease liabilities

	31 Dec. 2021	31 Dec. 2020
Current	\$526	\$511
Non-current	15,145	15,698
Total	<u>\$15,671</u>	<u>\$16,209</u>

Please refer to Note VI (24) for the interest on lease liabilities recognized for the year ended 31 December 2021 and 2020. Please refer to Note XII (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2020.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	2021	2020
Land	<u>\$3,009</u>	<u>\$3,713</u>

C. Income and costs relating to leasing activities

	2021	2020
The expenses relating to short-term leases	<u>\$16,815</u>	<u>\$41,255</u>

D. Cash outflow relating to leasing activities

For the year ended 31 December 2021 and 2020, the Group's total cash outflows for leases amounting to NT\$17,353 thousand and NT\$41,698 thousand, respectively.

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

	2021			2020		
	Operating costs	Operating expenses	Total Amount	Operating costs	Operating expenses	Total Amount
Employee benefits expense						
Salaries	\$303,261	98,123	\$401,384	\$301,787	\$77,938	\$379,725
Labor and health insurance	18,567	4,449	23,016	15,687	3,849	19,536
Pension	18,045	4,061	22,106	5,640	2,811	8,451
Remuneration of directors	-	9,557	9,557	-	4,156	4,156
Other personnel expenses	11,773	10,620	22,393	8,736	9,807	18,543
Depreciation	125,088	13,423	138,511	118,204	17,732	135,936
Amortization	58,660	330	58,990	54,113	722	54,835

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.

Based on the profit level, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2021 to be NT\$11,799 thousand and NT\$5,899 thousand, respectively, recognized as employee benefits expense. Based on the profit level, 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.

A resolution was approved at a Board of Directors meeting held on 31 March 2022 to distribute NT\$ 11,799 thousand and NT\$5,899 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 2021.

No material differences existed between the estimated amounts and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2020.

#### 24. Non-operating income and expenses

##### (1) Other income

	2021	2020
Interest income	\$15,356	\$17,394
Other income-other	22,048	7,561
Total	<u>\$37,404</u>	<u>\$24,955</u>

##### (2) Other gains and losses

	2021	2020
(Loss) Gain on disposal of property, plant and equipment	\$(30,465)	\$(5,321)
Foreign exchange losses (gains), net	11,629	32,728
Impairment loss of property, plant and equipment	(8,709)	(36,601)
Non-financial asset impairment loss	-	(54,598)
Others	(16,512)	(24,941)
Total	<u>\$(44,057)</u>	<u>\$(88,733)</u>



(3) Finance costs

	2021	2020
Interest expenses	<u>\$(98,188)</u>	<u>\$(85,859)</u>

25. Components of other comprehensive income

For the year ended 31 December 2021

	Arising during the period	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$(1,451)	\$290	\$(1,161)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(11,083)	-	(11,083)
Total other comprehensive income	<u>\$(12,534)</u>	<u>\$290</u>	<u>\$(12,244)</u>

For the year ended 31 December 2020

	Arising during the period	Tax Benefit (Expense)	Net of Tax
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	28,459	-	28,459
Total other comprehensive income	<u>\$3,291</u>	<u>\$6,370</u>	<u>\$9,661</u>

## 26. Income tax

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

### Income tax expense (income) recognized in profit or loss

	2021	2020
Current income tax expense:		
Current income tax charge	\$136,241	\$17,121
Adjustments in respect of current income tax of prior periods	(36)	3,186
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	28,170	82,131
Other	(249)	-
Total income tax expense	<u>\$164,126</u>	<u>\$102,438</u>

### Income tax recognized in other comprehensive income

	2021	2020
Deferred income tax expenses (benefits):		
Determine the benefit plan and then measure the number	\$(290)	\$(6,370)
Income tax related to other comprehensive profit and loss components	<u>\$(290)</u>	<u>\$(6,370)</u>

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

	2021	2020
Accounting profit before tax from continuing operations	<u>\$491,163</u>	<u>\$217,263</u>
Tax amount calculated at the domestic tax rate applicable to income in relevant countries	\$147,535	\$70,475
Tax effect of revenues exempt from taxation	(8,574)	-
Tax effect of revenues exempt from taxation	74	18,459
Tax effect of deferred tax assets/liabilities	22,692	10,310
Adjustments in respect of current income tax of prior periods	(36)	3,186
Undistributed retained earnings - Levy	2,684	8
Others	(249)	-
Total income tax expense recognized in profit and loss	<u>\$164,126</u>	<u>\$102,438</u>

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

For the year ended 31 December 2021:

	Opening Balance	Recognized in profit and loss	Recognized in others Comprehensive profit and loss	Ending balance
Temporary difference				
Net defined benefit liabilities-non-current	\$8,705	\$(3,534)	\$290	\$5,461
Inter-affiliated company transactions	225	1,772	-	1,997
Unrealized impairment loss	11,895	-	-	11,895
Loss deduction	15,173	15,443	-	30,616
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(107,580)	-	-	(107,580)
Lease concession agreement	(107,304)	(21,819)	-	(129,123)
Other	32,646	(20,032)	-	12,614
Deferred income tax benefits (expenses)		<u>\$(28,170)</u>	<u>\$290</u>	
Deferred income tax assets/(liabilities) net	<u>\$(159,623)</u>			<u>\$(187,503)</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$73,627</u>			<u>\$64,426</u>
Deferred income tax liabilities	<u>\$(233,250)</u>			<u>\$(251,929)</u>

For the year ended 31 December 2020:

			Recognized in others	
	Opening Balance	Recognized in profit and loss	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 impairment loss	15,612	(3,717)	-	11,895
Loss deduction	71,782	(56,609)	-	15,173
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(107,580)	-	-	(107,580)
Lease concession agreement	(84,599)	(22,705)	-	(107,304)
Other	27,690	4,956	-	32,646
Deferred income tax benefits (expenses)		<u>\$(82,131)</u>	<u>\$6,370</u>	
Deferred income tax assets/(liabilities) net	<u>\$(83,862)</u>			<u>\$(159,623)</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$123,006</u>			<u>\$73,627</u>
Deferred income tax liabilities	<u>\$(206,868)</u>			<u>\$(233,250)</u>

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

	Unused balance		
Year of occurrence	31 Dec. 2021	31 Dec. 2020	Last deductible year
2011	\$19,148	20,581	2021
2012	27,352	27,388	2022
2013	36,950	36,950	2023
2014	30,842	30,842	2024
2015	32,926	32,926	2025
2016	6,893	6,893	2026
2017	129,245	129,245	2027
2018	35,099	35,099	2028
2018	5,960	5,960	2023
2019	37,583	37,583	2029
2019	13,025	13,025	2024
2020	36,040	36,040	2030
2021	19,324	-	2031
	<u>\$430,387</u>	<u>\$412,532</u>	

### Unrecognized deferred income tax assets

As at 31 December 2021 and 2020, the total amount of unrecognized deferred income tax assets of the Group was NT\$ 168,455 thousand and NT\$89,222 thousand, respectively.

### The assessment of income tax returns

As at 31 December 2021, the Company's income tax filings are as follows:

	<u>The assessment of income tax returns</u>
The Company	2019
Subsidiary - Hsiyu	2019
Subsidiary - Dinteng	2019
Subsidiary - Jianyi	2019
Subsidiary – Kuo Chuang	2019
Subsidiary – Kuo Hsin	2019
Subsidiary – Jie Mao	2019
Subsidiary – Kuo Yang	2019

## 27. 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>2021</u>	<u>2020</u>
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$448,367</u>	<u>\$125,071</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>248,078</u>	<u>248,510</u>
Basic earnings per share (NT\$)	<u>\$1.81</u>	<u>\$0.50</u>

	2021	2020
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$448,367	\$125,071
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,078	248,510
Effect of dilution:		
Employee bonus - stock (in thousands)	554	117
Weighted average number of ordinary shares outstanding after dilution (in thousands)	248,632	248,627
Diluted earnings per share (NT\$)	\$1.80	\$0.50

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

## 28. Subsidiaries with significant non-controlling equity

The financial information of subsidiaries with significant non-controlling equity is listed below:

Proportion of equity held by non-controlling equity

Name of the Subsidiary	Company and Operating Country	31 Dec. 2021	31 Dec. 2020
Dingteng co., Ltd.	Taiwan	49.50%	49.50%
Fujian Taiming Cast Pipe Technology Co., Ltd.	China	45.00%	45.00%

Cumulative balance of significant non-controlling equity:

	31 Dec. 2021	31 Dec. 2020
Dingteng co., Ltd.	\$1,551,948	\$1,486,998
Fujian Taiming Cast Pipe Technology Co., Ltd.	340,678	523,099

Benefits (losses) allocated to significant non-controlling equity:

	2021	2020
Dingteng co., Ltd.	\$64,949	\$68,385
Fujian Taiming Cast Pipe Technology Co., Ltd.	(179,364)	(60,414)

Dividends paid to material non-controlling equity:

	2021	2020
Dingteng co., Ltd.	\$-	\$-
Fujian Taiming Cast Pipe Technology Co., Ltd.	-	-

The financial information summary of these subsidiaries is provided below. This information is based on the amount before the intercompany (transaction) elimination.

2021 Income Summary Information:

	Dingteng co., Ltd.	Fujian Taiming Cast Pipe Technology Co., Ltd.
Operating Income	\$-	\$1,860,475
Net Income from continuing operations	\$131,211	\$(398,586)
Other comprehensive income from continuing operations	-	(6,794)
Total comprehensive income	\$131,211	\$(405,380)

2020 Income Summary Information:

	Dingteng co., Ltd.	Fujian Taiming Cast Pipe Technology Co., Ltd.
Operating Income	\$-	\$1,807,495
Net Income from continuing operations	\$138,113	\$(134,253)
Other comprehensive income from continuing operations	-	19,294
Total comprehensive income	\$138,113	\$(114,959)

Summary Information on Asset and Liability as at 31 December 2021:

	Dingteng co., Ltd.	Fujian Taiming Cast Pipe Technology Co., Ltd.
Current Asset	\$5,771	\$2,069,827
Non-Current Asset	3,130,994	1,287,680
Current Liability	(1,518)	(2,164,386)
Non-Current Liability	-	(436,100)

Summary Information on Asset and Liability as at 31 December 2020:

	Dingteng co., Ltd.	Fujian Taiming Cast Pipe Technology Co., Ltd.
Current Asset	\$4,344	\$2,067,068
Non-Current Asset	2,999,946	1,366,624
Current Liability	(254)	(1,956,683)
Non-Current Liability	-	(284,607)

Summary Information on Cash Flows as at 31 December 2021:

	Dingteng co., Ltd.	Fujian Taiming Cast Pipe Technology Co., Ltd.
Operating Activities	\$1,407	\$(316,284)
Investing Activities	-	(36,993)
Financing Activities	-	407,539
Exchange Rate Effects	-	(1,075)
Net increase in cash and cash equivalents	\$1,407	\$53,187

Summary Information on Cash Flows as at 31 December 2020:

	Dingteng co., Ltd.	Fujian Taiming Cast Pipe Technology Co., Ltd.
Operating Activities	\$1,713	\$(328,867)
Investing Activities	-	(51,804)
Financing Activities	-	315,864
Exchange Rate Effects	-	380
Net increase (decrease) in cash and cash equivalents	\$1,713	\$(64,427)



## VII. RELATED PARTIES TRANSACTIONS

Information of the related parties that had transactions with the Group 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
Fujian Sansteel Minguang Co., Ltd. (Sansteel Minguang)	Company controlled by legal person shareholder of subsidiary
Fujian Tianzun New Material Manufacturing Co., Ltd. (Fujian Tianzun)	Company controlled by legal person shareholder of subsidiary
Gangcheng Machinery Manufacturing Co., Ltd. (Gangcheng Machinery)	Company controlled by legal person shareholder of subsidiary
Fujian Sangang Minguang Machinery Foundry Co., Ltd.	Company controlled by legal person shareholder of subsidiary
Fujian Sanming Hongtong Water Environment Consulting Co., Ltd.	Related parties of the group
Xiamen Shuangyun Environmental Consulting Co., Ltd. (Xiamen Shuangyun)	Related parties of the group
Shangji International Limited	Related parties of the group
Hong Ya Man	Director and president of the Company
Liang Jia Yuan	Director of the Company (Note 1)
Ye Qing Zheng	President of the Company (Note 2)
Tsai Xiu Hua	Vice president of the Company (Note 3)
Fu Xue Ren	Vice president of the Company
Du Guan zhen	Vice president of the Company

Note 1: Stepped down from the position of the Company's chairman on 30 June 2020.

Note 2: Stepped down from the position of the Company's president on 14 June 2021.

Note 3: Stepped down from the position of the Company's financial vice president on 6 June 2021.

### Significant related party transactions

#### 1. Sales

	2021	2020
Sanming Hongtong water	\$133,578	\$-

Sold to the above-mentioned related parties, the selling price and payment conditions are comparable to those of non-related parties.

#### 2. Purchase

	2021	2020
Fujian Tianzun	\$-	\$24,292
Sanming Hongtong water	93,996	-
Others	291	982
Total	\$94,287	\$25,274

The Group's imports from related parties include different types of goods, thus there is no general transaction price to compare. The payment period is about 60 to 90 days, which is equivalent to general transactions.

#### 3. Notes and Accounts Payable-Related Parties

	2021	2020
Others	\$327	\$-

#### 4. Financing Situations

As at 31 December 2021 and 2020, details of the fund transactions between the Group and its related parties are as follows:

Related Parties: The main management and other related parties of the Group

	31 Dec. 2021	31 Dec. 2020
Maximum balance	\$17,919 (RMB4,149 thousand)	\$89,603 (RMB20,589 thousand)
Ending balance	17,919 (RMB4,149 thousand)	18,057 (RMB4,149 thousand)

The details of the interest payable at end of period by the Group due to the aforementioned financing activities are as follows:

Account Listed Items	Categories of Related Parties	31 Dec. 2021	31 Dec. 2020
Other payables - related parties	Main management	\$13,214	\$12,195

For the years ended 31 December 2021 and 2020, the Group's interest rates for the financing of the main management level were both 6%, thus the interest expenses incurred were NT\$171 thousand (CNY 40 thousand) and NT\$689 thousand (CNY 161 thousand).

## 5. Others

- (1) As of 2021 and 2020, the prepayments for the purchase of raw materials by the Group from other related parties amounted to NT\$567 thousand and NT\$571 thousand, which were accounted under other current assets
- (2) The Group purchased construction materials from other related parties in the amount of NT\$10,931 thousand (CNY 2,554 thousand) in 2019 booked under PPE. As at 31 December 2021 and 2020, the unpaid amounts were NT\$6,636 thousand (CNY 1,536 thousand) and NT\$11,115 thousand (CNY 2,554 thousand), which were listed under other payables - related parties.
- (3) As at 2021 and 2020, the Group borrowed money from financial institutions. In accordance with the requirements of part of the loan contract, the Company's key management staffs provided joint guarantees.

## 6. Key management personnel compensation

	2021	2020
Short-term employee benefits	\$28,582	\$31,631
Post-employment benefits	930	1,143
Total	<u>\$29,512</u>	<u>\$32,774</u>

## VIII. ASSETS PLEDGED AS COLLATERAL

The Group has the following Assets pledged as Collateral:

Items	Book Value		Purpose of pledge
	31 Dec. 2021	31 Dec. 2020	
Financial assets measured at amortized costs - current	\$1,177,244	\$1,252,398	Short-term loans, short-term notes payable, Construction Performance, CPC credit sale collateral and guaranteed warranty
Financial assets measured at amortized costs – non-current	127,175	124,777	Penghu desalinated water contract performance guarantee, bonds payable, Construction Performance Guarantee, long-term borrowings and Litigation Liability Guarantee
Service Concession Receivable (Including Current)	2,605,392	2,719,031	Long-term borrowings, Short-term loans
Property, plant and equipment	442,936	429,680	Long-term borrowings, Short-term loans
(Note)	677,660	775,141	Bond, Long-term loans
Right-of-use assets	130,529	133,978	Long-term borrowings and Litigation Liability Guarantee
Total	<u>\$5,160,936</u>	<u>\$5,435,005</u>	

(Note) The shares of the subsidiary, which has been eliminated while preparing the consolidated financial statement.

## IX. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT

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

	31 Dec. 2021	31 Dec. 2020
Performance Guarantee for Purchase Contract	\$2,950	\$2,000
Performance Guarantee for Sales Contract	86,061	86,030
Total	<u>\$89,011</u>	<u>\$88,030</u>

2. The performance guarantee issued by the bank for the Group's contracting projects is as follows:

	31 Dec. 2021	31 Dec. 2020
Guarantee of performance of the contracted work	\$760,233	\$862,729
Guarantee of performance in the contract of sale	82,888	51,119
Total	<u>\$843,121</u>	<u>\$913,848</u>

3. Because of the issuance of the first domestic secured corporate bonds by the Group on 31 December 2021 and 2020, the bank provides guarantees for a credit line of NT\$251,950 thousand.

4. Joint Venture Contract:

Participants of the Joint Venture Contracts	Case	31 Dec. 2021		31 Dec. 2020	
		Contract Total Price	Contract Proportion	Contract Total Price	Contract 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%
Mountain Forestry and Water Environmental Engineering Co., Ltd. And Chin Cheng Construction Co., Ltd.	E	3,110,476	65.00%	-	-
Shenghe Construction Co., Ltd	F	379,638	30.00%	-	-
Total		<u>\$8,162,783</u>		<u>\$4,672,669</u>	

5. Contingent Liabilities:

- (1) The completion date of the " New Construction of Hushan Water Purification Plant" contracted by the Group was determined by the proprietor to be January 2017. The proprietor believes that the Group has been overdue for 640 days and plans to impose a fine of \$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 Group was notified by the proprietor on 1 March 2017 that the Group will be suspended from bidding on the proprietor's projects for one year in accordance with the law. The Group 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 group on the blacklist for one year (ending on 9 November 2018) in accordance with Article 101 of the Government Procurement Act.

The Group and the proprietor failed to reach a consensus after several mediations conducted by the Public Construction Committee of the Executive Yuan. The Group withdrew the mediation case for the overdue project in dispute on 2 November 2017, and filed a civil action to the 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 Group's suspension appeal. Although the suspension has been executed, the Group still appealed to the Supreme Administrative Court on 23 July 2019 for delays that cannot be attributed to the Group. The Supreme Administrative Court rejected the appeal on 31 August 2020, and the Group filed for retrial on 30 September 2020.

In addition, after the lawyers appointed by the Group 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 Group can also request a reduction in overdue fine, however the disputes are still pending final judgment. As the case is still pending trial, the Group 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 Group estimated that the overdue project fine would be NT\$119,555 thousand. As at 31 December 2020, the proprietor intended to transfer the Group's accounts receivable of NT\$426,943 thousand as overdue fines based on the above-mentioned overdue project. All accounts receivables in the amount were transferred to long-term receivables. On October 18, 2021, the Taichung District Court of Taiwan ruled in the first instance that the proprietor shall pay the Group \$373,207 thousand plus interest, and the proprietor appealed against the judgment. On March 7, 2022, the Group reached a settlement agreement with the Owner after the Second Instance Judge of the Taichung Branch of the High Court of Taiwan communicated with both parties and the proprietor agreed to pay the Company \$381,105 thousand, and the remaining issues of the dispute claim was abandoned and no appeal was made. The difference between the estimated amount of the overdue fine and the project overdue fine was booked as a profit or loss for 2021.

- (2) The Group had a dispute with the service provider due to the calculation of the consulting service fee, which could not be resolved after negotiation. The service provider filed a civil action to claim consulting service fee in the amount of RMB12,930 thousand and the liquidated damages for the civil action of RMB944 thousand in the first quarter of 2020, and applied for property preservation, requesting to freeze the Group's bank deposits of RMB 14,000 thousand, which was approved by the People's Court of Yuhua District, Changsha City, Hunan Province, after which the Group applied to the court for approval to change the subject matter of property preservation to the right of use for part of the land amounted RMB 6,230 thousand and the buildings and constructions of the Group's key management personnel.

After the Group appointed a lawyer to review the consulting service contract and related evidence, the Group has estimated that the consulting service fee of RMB 2,702 thousand has been included in operating expenses and other payables. As at 31 December 2021, the case is still under trial.

- (3) The service provider of the Group filed a complaint in 2020 alleging that the Group did not pay the service fee of RMB 7,274 thousand according to the content of the cooperation agreement, and applied for property preservation, requesting the freezing of the Group's bank deposits of RMB 7,000 thousand. The People's Court of Qixing District of Guilin City ruled that the Group should pay a service fee of RMB 4,030 thousand.

After the Group appointed a lawyer to review the consulting service contract and related evidence, the Group estimated that the consulting service fee of RMB 4,030 thousand was included in operating expenses and other payables, but the service provider appealed against the verdict. As at 31 December 2021, the case is still under trial.

- (4) The Group had a dispute with the client due to the sales contract and could not resolve it after negotiation. The client filed an action to request compensation for the failure of the Group's performance obligations as at 31 December 2020, but the client appealed against the verdict. The People's Court of Hua'an County, Fujian Province ruled that the Group should pay compensation of RMB 2,301 thousand for losses.

After the Group appointed a lawyer to review the sales contract and related evidence, the Group estimated the compensation loss of RMB 2,301 thousand, which was included in non-operating expenses and other payables. The case was closed in the second instance on 24 May, 2021, and the company will no longer appeal.

- (5) For the "New Construction Project of Magong Additional 4,000 ton Seawater Desalination Plant (Magong Second Desalination Plant Phase I)" contracted by the Group, the proprietor determined that the deadline for the performance of the contract was on 12 December 2019. The proprietor believed that the project has been overdue for 405 days, and the overdue fine is calculated based on the unfinished completion ratio of 25.73%. The proprietor intended to impose overdue fines on the Group for NT\$132,044 thousand. After evaluating the related documents and analyzing the legal opinions, the Group was in the view that the reasons for the delayed construction included the location change of the sea water intake station, the impact of amendments to regulations, and the impact of Covid-19 that prevents foreign technicians from entering the country. The Group will negotiate with the proprietor for the deadline extension of the contract performance period. In addition, the proprietor determined that the uncompleted proportion of the project on 12 December 2019 was 25.73%. According to the construction record of the Group, the actual uncompleted proportion should be 3.78%. The Group also agreed with the proprietor to review the uncompleted proportion.

To sum up, the Group assessed the possible overdue fines to be between NT\$10,310 thousand and NT\$25,617 thousand. Therefore, the contract price of the works was reduced NT\$25,617 thousand of overdue fines by the Group. As at 31 December 2021, the case is still under negotiation with the proprietor.

## 6. Commitment:

(1) The Group's subsidiary, Hsiyu Seawater Desalination Co., Ltd. (hereinafter referred to as Hsiyu Desalination Company), entered into an "Investment Contract for Nongovernmental Participation in the Construction and Operation of Penghu Hsiyu Seawater Desalination Plant " with Taiwan Water Supply Co., Ltd. on 27 December 2005. The main content of the contract is extracted below:

A. The range of the contract includes participation in the construction and operation of the Penghu Hsiyu seawater desalination plant and the construction, operation and transfer of its related auxiliary facilities or operating auxiliary businesses.

B. The construction period starts from the date of contract execution to the date when the construction of this project is completed and the test run is passed: the operating period starts from the date of commencement of operation to the expiration date the contract period, for a term of 15 years.

C. Whenever there is a change in the registration items, various licenses or Articles of Incorporation of Hsiyu Desalination Company, the company should notify Taiwan Water Supply Co., Ltd. and attach relevant supporting documents within 30 days after the completion of each registration adjustment.

D. During the contract period, Hsiyu Desalination Company's self-owned capital ratio should not be lower than 25% of the total investment set on the investment plan date.

E. Hsiyu Desalination Company should transfer the ownership of the property under this project to Taiwan Water Supply Co., Ltd. after the completion of the construction and obtaining approval from Taiwan Water Supply Co., Ltd. within 30 days. Taiwan Water Supply Co., Ltd. should pass the acceptance of all the constructions in this project, and Hsiyu Desalination Company shall pay \$165,000 thousand for the construction of the project within one month from the following day of providing NT\$165,000 thousand for the performance guarantee during the operation period.

F. During the operation period, Taiwan Water Supply Co., Ltd. should pay Hsiyu Desalination Company the operation and maintenance fee in accordance with the contract.

G. Performance Guarantee:

(A) The amount of the performance guarantee during the construction period was NT\$16,500 thousand and the period was 90 days after the commencement of operation.



- (B) The amount of the performance guarantee during the operation period was NT\$165,000 thousand and the period was 90 days after Hsiyu Desalination Company completes the return of the plan assets, and there are no other matters to be done.
- (C) In one month after Hsiyu Desalination Company commences operations and pays the performance bond, if there is no such occurrence that the performance bond should be forfeited, Taiwan Water Supply Co., Ltd. should release the responsibility for the performance bond during the construction period or return the performance bond interest-free.
- (D) After Hsiyu Desalination Company completes its performance operation for one year, the performance bond during the operation period can be reduced by \$10,000 thousand compared to the previous year. If no performance bond should be forfeited, Taiwan Water Supply Co., Ltd. should release the responsibility for the performance bond during the construction period as the amount mentioned above or return the performance bond interest-free.

#### H. Dealing and the Responsibility of Breaching the Contract

- (A) The breach of contract attributable to the Company in accordance with the construction and operation contract is as follows:
  - a. Within 6 months after the signing of this contract, the signing of a financing contract with a major financial institution cannot be done.
  - b. Major mistake on the construction quality
  - c. Seriously behind the construction process
  - d. Use for other purposes
  - e. Continuously interrupting the supply of desalinated water for more than 3 days.
  - f. The water has not reached 750 cubic meters for 15 consecutive days, or the total volume of desalinated water for accumulated 60 days in a year (calculated as 365 consecutive days) has not reached 750 cubic meters.
  - g. Entrust or transfer to a third party to operate
  - h. Other matters that should be considered or treated as breaching the contract according to the regulations of this contract.

#### (B) Dealing with the Breach of Contract

- a. Request improvement within a fixed period
- b. Impose punitive damage
- c. Notify to take over
- d. Terminate the contract

- (2) The Group's subsidiary- Kuo Yang Environment Technology Co., Ltd. (hereinafter referred to as Kuo Yang Environmental Company) entered into the "Investment Contract for the Construction and Operation Transfer Plan of Sewerage Construction" with Miaoli County Government on 24 March 2009. The main contents of the contract are extracted below:

- A. The construction of the operation transfer plan includes the water recycling center, sewerage pipe network system of the urban planning area of Miaoli Zhunan Toufen (including the specific area of Toufen highway); the operation, execution and management of user takeover; the maintenance and increment of the related investment.
- B. The concession period of the construction transfer plan for the sewerage system, including concession construction and operation period, has a total of 35 years since the day of signing.
- C. The sewage treatment fees paid by Miaoli County Government can be divided into construction fees and operating expenses. Construction fees are calculated on the basis of a fixed monthly amortization amount, and operating expenses are calculated on the basis of the sewage volume.
  - (A) Items that can be listed as construction fees include:
    - a. Construction cost of the water recycling center's auxiliary facilities
    - b. Construction cost of main pipes, sub-main pipes and branch pipe network system of sewerage
    - c. Replacement cost of water recycling center
  - (B) Items that can be listed as operating expenses include:
    - a. Construction cost of user takeover
    - b. Operating and maintenance expenses for the water recycling center, sewerage network system and user takeover.
- D. When the contents of the registration or approval of Kuo Yang Environmental Company are adjusted or the directors and supervisors are changed, within 30 days after the completion of each registration adjustment, the revised content or a copy of the articles of incorporation and the new director and supervisor's list should be submitted to Miaoli County Government for future reference.
- E. The proportion of shares held by the promotor during the construction period should be maintained at higher than 50% of the paid-up capital
- F. During the concession period, at least 30% of its own funds should be maintained.
- G. When the concession expires, the asset transfer plan is proposed two years before the expiration to start negotiating and signing the "asset transfer contract", and the signing of the "asset transfer contract" should be completed 18 months before the expiration.
- H. Transfer before the concession expires
  - (A) Terminate within 5 years after signing the contract: The transfer price is 70% of the appraisal price concluded by the appraiser.

- (B) Terminate after 5 years of signing the contract: The transfer price will be reduced by 5% according to the above-mentioned pricing method, and will be reduced by 5% every five years during the termination period

I. Performance Guarantee:

- (A) Before signing the contract, provide a performance bond of \$150 million, and the period will be 6 months after the completion of the transfer of all assets by Kuo Yang Environmental Company.
- (B) If Kuo Yang Environmental Company does not breach the contract during the contract period, Miaoli County Government will return the performance bond in the following ways: when the first phase of water recycling center starts operation: 25%; when the second phase of water recycling center starts operation: 25%; six months after the completion of the transfer of assets after the expiration: 50%

J. Dealing with the Breach of Contract

- (A) According to the contract, the breach of contract attributable to Kuo Yang Environmental Company is as follows
  - a. Failed to start operations in accordance with the contract
  - b. Failed to complete the construction of water recycling center within the due date
  - c. Failed to complete the expansion of the water recycling center within the due date.
  - d. Failed to complete user takeover within the due date
  - e. The construction progress is 20% behind
- (B) Treatment of breach of contract: After Miaoli County Government has identified a major breach of contract, the following measures may be taken:
  - a. Suspend part or all of the construction and operation
  - b. The financing institution will select other institutions that comply with the regulations and temporarily take over Kuo Yang Environmental company or continue to construct and operate.
  - c. Terminate the contract.

X. SIGNIFICANT DISASTER LOSS

None.

XI. SIGNIFICANT SUBSEQUENT EVENTS

The " New Construction of Hushan Water Purification Plant " undertaken by the Group has reached a settlement agreement with the proprietor on 11 March 2022, please note IX 5 for details.

## XII. OTHER

### 1. Categories of financial instruments

#### Financial Assets

	31 Dec. 2021	31 Dec. 2020
Financial assets at fair value through other comprehensive income	\$95,025	\$95,025
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	693,193	483,202
Financial assets measured at amortized cost	1,309,601	1,377,185
Notes receivables	21,675	14,353
Trade receivables	785,738	922,151
Other receivables	393,613	4,947
Construction refundable deposits	88,300	66,433
Refundable deposits	77,449	42,564
Long-term receivables	3,381,694	3,907,439
Subtotal	6,751,263	6,818,274
Total	\$6,846,288	\$6,913,299

#### Financial Liabilities

	31 Dec. 2021	31 Dec. 2020
Financial liabilities at amortized cost:		
Short-term loans and notes payable	\$1,505,284	\$1,648,368
Payments payable (related parties included)	1,441,589	1,544,131
Bonds payable	249,951	249,755
Long-term borrowings (current portion included)	2,347,803	1,890,459
Lease liability (current and non-current)	15,671	16,209
Refundable deposits received	359,999	296,626
Total	\$5,920,297	\$5,645,548

### 2. Financial risk management objectives and policies

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

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

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group 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 Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group'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 2021 and 2020 decreases/increases by NT\$3,782 thousand and NT\$4,475 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 Group mainly comes from floating rate investment, fixed rate and floating rate borrowing.

The Group 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 Group in 2021 and 2020 will increase or decrease by NT\$1,841 thousand and NT\$1,662 thousand respectively.

#### Equity price risk

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group'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 Group 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 Group's senior management on a regular basis. The Group'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 Group 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 Group'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 Group'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 at 31 December 2021 and 2020, accounts receivables from top ten customers represented 77% and 70% of the total accounts receivables of the Group, 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 Group's treasury in accordance with the Group's policy. The Group 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 Group'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 Group'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 instruments

	Less than 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
31 Dec. 2021						
Loans	\$915,483	\$1,729,591	\$260,805	\$516,879	\$606,384	\$4,029,142
Notes and accounts payable	726,643	169,909	28,837	29,224	3,487	958,100
Other payables	295,140	120,106	67,490	753	-	483,489
Bonds payable	251,950	-	-	-	-	251,950
Lease liabilities (Note)	470	470	941	2,822	16,146	20,849
Refundable deposits received	17,626	90,266	246,555	5,552	-	359,999
31 Dec. 2020						
Loans	\$547,476	\$1,398,295	\$733,015	\$420,909	\$612,842	\$3,712,537
Notes and accounts payable	633,315	374,530	21,269	7,520	216	1,036,850
Other payables	385,941	98,305	8,697	11,960	2,378	507,281
Bonds payable	-	1,950	251,950	-	-	253,900
Lease liabilities (Note)	470	470	940	2,822	17,087	21,789
Refundable deposits received	20,698	5,363	49,290	221,275	-	296,626

Note: The following table provides further information on the maturity analysis of lease liabilities:

	Overdue				Total
	Less than 5 year	5 to 10 years	10 to 15 years	> 15 years	
31 Dec. 2021	\$4,703	\$4,703	\$4,703	\$6,740	\$20,849
31 Dec. 2020	4,703	4,703	4,703	7,680	21,789

#### 6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for years ended 31 December 2021:

	Short-term Loans	Short-term notes payable	Long-term borrowings (current portion included)	Bonds payable	Lease liabilities	Refundable deposits received	Total
1 Jan. 2021	\$1,638,392	\$9,976	\$1,890,459	\$249,755	\$16,209	\$296,626	\$4,101,417
Cash flows	(126,676)	(18)	467,640	-	(538)	65,433	405,841
Non-cash changes	(1,245)	-	(5,233)	196	-	-	(6,282)
Exchange difference	(15,145)	-	(5,063)	-	-	(2,060)	(22,268)
31 Dec. 2021	<u>\$1,495,326</u>	<u>\$9,958</u>	<u>\$2,347,803</u>	<u>\$249,951</u>	<u>\$15,671</u>	<u>\$359,999</u>	<u>\$4,478,708</u>

Reconciliation of liabilities for the years ended 31 December 2020:

	Short-term Loans	Short-term notes payable	Long-term borrowings (current portion included)	Bonds payable	Lease liabilities	Refundable deposits received	Total
1 Jan. 2020	\$1,911,545	\$9,997	\$1,512,327	\$249,559	\$16,708	\$157,373	\$3,857,509
Cash flows	(256,297)	(24)	371,622	-	(941)	137,024	251,384
Non-cash changes	-	3	(4,584)	196	-	-	(4,385)
Exchange difference	(16,856)	-	11,094	-	442	2,229	(3,091)
31 Dec. 2020	<u>\$1,638,392</u>	<u>\$9,976</u>	<u>\$1,890,459</u>	<u>\$249,755</u>	<u>\$16,209</u>	<u>\$296,626</u>	<u>\$4,101,417</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 Group to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, trade receivables, accounts payable 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 debt instruments without market quotations, bank loans, 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 Group 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 Group.

## 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 Group 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 Group's assets and liabilities

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

As at 31 December 2021

	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 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

#### Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2021 and 2020, 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 Group belong to level 3 of the fair value hierarchy, the adjustment of the balance from the beginning to the end is listed as follows:

	Assets
	At fair value through other comprehensive income
	Stock
1 Jan. 2021	\$95,025
Total gains and losses recognized	
Amount recognized in OCI	-
31 Dec. 2021	\$95,025

  

	Assets
	At fair value through other comprehensive income
	Stock
1 Jan. 2020	\$88,342
Total gains and losses recognized	
Amount recognized in OCI	6,683
31 Dec. 2020	\$95,025

### 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:

31 December 2021

	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	25%	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\$2,549thousand

31 December 2020

	Valuation	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
	techniques				
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 \$2,236 thousand

#### Valuation process of Level 3 fair value measurement

The Group'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 group'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.

## 9. Significant assets and liabilities denominated in foreign currencies

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

	31 December 2021			31 December 2020		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$1,813	27.63	\$50,093	\$68	28.43	\$1,933
<u>Financial liabilities</u>						
Monetary items:						
USD	15,500	27.63	428,265	15,810	28.43	449,478

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

The Group 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 2021 and 2020, the foreign exchange gains or losses on monetary financial assets and financial liabilities were NT\$11,629 thousands, NT\$32,728 thousands, respectively.

## 10. Capital management

The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

## 11. Others

Additionally, in order to compare the 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 2021: Please refer to Attachment 2.
- (2) Endorsement/Guarantee provided to others for the year ended 31 December 2021: Please refer to Attachment 3.
- (3) Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 4.
- (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 2021: 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 2021: 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 2021: None.
- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock f for the year ended 31 December 2021: Please refer to Attachment 5.
- (8) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as at 31 December 2021: Please refer to Attachment 6.
- (9) Name of the Investee Company, location, etc. (Do not include investees in China): Details in Attachment 7
- (10) Financial instruments and derivative transactions: None.
- (11) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 1.

2. Joint Venture relevant information: Please refer to Attachment 7.

3. Investment 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 8.

- (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 1 and Attachment 8.

4. Main Stockholders' Information:

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

#### XIV. OPERATING SEGMENT INFORMATION

For management purposes, the Group divides operating units based on different goods and services, and divides them into the following six reportable operating segments:

1. Kuo Toong: Manufacturing and trading of various prestressed concrete pipes, straight steel pipes, propelling steel pipes, ductile iron pipes, various cement products, spare parts; assembling and laying construction of various water pipes or spare parts, and manufacturing fine chemical materials.
2. Kuo Yang: Machinery installation, other environmental sanitation and pollution prevention services, etc.
3. Taiming: Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipes, various pipe fittings, fittings and precision casting products manufacturing.
4. Other

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

1. Reportable Segment Income Information:

For the year ended 31 December 2021

	<u>Kuo Toong</u>	<u>Kuo Yang</u>	<u>Tai Ming</u>	<u>Others</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue						
External						
customers	\$1,843,961	\$659,631	\$1,524,769	\$592,674	\$-	\$4,621,035
Inter-segment	502,685	-	335,706	6,811	(845,202)	-
Total revenue	<u>\$2,346,646</u>	<u>\$659,631</u>	<u>\$1,860,475</u>	<u>\$599,485</u>	<u>\$(845,202)</u>	<u>\$4,621,035</u>
Segment Income	<u>\$572,232</u>	<u>\$163,810</u>	<u>\$(392,554)</u>	<u>\$(82,462)</u>	<u>\$230,137</u>	<u>\$491,163</u>

For the year ended 31 December 2020

					Adjustments	
	Kuo Toong	Kuo Yang	Tai Ming	Others	and eliminations	Total
Revenue						
External						
customers	\$766,104	\$664,335	\$1,650,316	\$627,556	\$-	\$3,708,311
Inter-segment	634,025	-	157,179	11,751	(802,955)	-
Total revenue	<u>\$1,400,129</u>	<u>\$664,335</u>	<u>\$1,807,495</u>	<u>\$639,307</u>	<u>\$(802,955)</u>	<u>\$3,708,311</u>
Segment Income	<u>\$156,039</u>	<u>\$173,335</u>	<u>\$(116,424)</u>	<u>\$(70,168)</u>	<u>\$74,481</u>	<u>\$217,263</u>

(Note) Revenue between departments is eliminated at the time of consolidation and reflected under "Reconciliation and Elimination"

2. Product type and labor service type information:

The combined company's revenue information from external customers is as follows:

Product and service name	2021	2020
Pipe fittings	\$2,579,455	\$2,498,792
Public works construction income	1,164,821	530,737
Water treatment project contracting income		
— Service concession agreement	370,146	381,820
Water treatment operation and maintenance income	279,172	126,579
Service franchise interest income	166,383	169,639
Labor income	61,058	744
Total	<u>\$4,621,035</u>	<u>\$3,708,311</u>

3. Financial Information by Region:

(1) From outside client revenue:

	2021	2020
Taiwan	\$2,713,236	\$1,885,712
Mainland China	1,907,799	1,822,599
Total	<u>\$4,621,035</u>	<u>\$3,708,311</u>

Revenue is classified based on the country where the customer is located.



(2) Non-current assets:

	31 Dec. 2021	31 Dec. 2020
Taiwan	\$1,863,262	\$1,740,420
Mainland China	1,232,655	1,260,722
Total	<u>\$3,095,917</u>	<u>\$3,001,142</u>

The non-current assets of the Group include PPE, right-of-use assets, intangible assets and other non-current assets, but do not include financial instruments and deferred income tax assets.

4. Important client information:

	2021	2020
Client A	\$884,167	\$214,502
Client B	666,013	720,887
Client C	558,685	234,174
Client D	510,549	610,904
Client E	26,043	397,159
Total	<u>\$2,645,457</u>	<u>\$2,177,626</u>

5. Reportable Segment Income Reconciliation

	2021	2020
Reportable Segment Total Income	\$343,488	\$212,950
Other Segment Income	(82,462)	(70,168)
Reconciliation and Elimination		
Elimination Segment Income	230,137	74,481
Profit from continuing operations before tax	<u>\$491,163</u>	<u>\$217,263</u>

Attachment 1: The business relationship, significant transactions and amounts between parent company and subsidiaries:

No. (Note 1)	Related party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Account receivables	\$1,584,660	No general trading conditions can be compared to	11.93%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Other receivables	27,459	No general trading conditions can be compared to	0.21%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Construction revenues	269,200	No general trading conditions can be compared to	5.83%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Adjustment revenues	31,751	No general trading conditions can be compared to	0.69%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Other revenue(interests)	27,459	No general trading conditions can be compared to	0.59%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Contract liabilities	486,879	No general trading conditions can be compared to	3.66%
0	The Company	Kuo Chuang Engineering Co., Ltd.	1	Account receivables	73,269	No general trading conditions can be compared to	0.55%
0	The Company	Kuo Chuang Engineering Co., Ltd.	1	Sales revenue	195,129	No general trading conditions can be compared to	4.22%
0	The Company	Jianyi Construction Co., Ltd.	1	Contract liabilities	537,896	No general trading conditions can be compared to	4.05%
0	The Company	Jianyi Construction Co., Ltd.	1	Other current liabilities	113,313	No general trading conditions can be compared to	0.85%

No. (Note 1)	Related party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	3	Account receivables	15,938 (CNY 3,690)	No general trading conditions can be compared to	0.12%
2	Marvel Line Co, Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd	3	Other receivables	327,695 (CNY75,873)	No general trading conditions can be compared to	2.47%
2	Marvel Line Co, Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd	2	Other revenues	10,518 (CNY 2,423)	No general trading conditions can be compared to	0.23%
3	Fujian Taiming Casting Pipe Technology Co., Ltd.	Fujian Taiming Trading Co., Ltd.	1	Account receivables	28,963 (CNY 6,706)	No general trading conditions can be compared to	0.22%
3	Fujian Taiming Casting Pipe Technology Co., Ltd.	Fujian Taiming Trading Co., Ltd.	1	Sales revenue	98,806 (CNY 22,761)	No general trading conditions can be compared to	2.14%
3	Fujian Taiming Casting Pipe Technology Co., Ltd.	Linwu Taiming Pipe Industry Technology Co., Ltd.	1	Account receivables	36,612 (CNY 8,477)	No general trading conditions can be compared to	0.28%
3	Fujian Taiming Casting Pipe Technology Co., Ltd.	Linwu Taiming Pipe Industry Technology Co., Ltd.	1	Sales revenue	235,981 (CNY54,361)	No general trading conditions can be compared to	5.11%

No. (Note 1)	Related party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
3	Fujian Taiming Casting Pipe Technology Co., Ltd.	Linwu Taiming Pipe Industry Technology Co., Ltd.	1	Prepaid investment	28,505 (CNY6,600)	No general trading conditions can be compared to	0.21%

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: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

Note 4: The ending exchange rate of RMB to New Taiwan dollars was 1: 4.319. The average exchange rate of RMB to New Taiwan dollars was 1: 4.341.

## Attachment 2: Financing provided to others

No. (Note 1)	Lender	Counterparty	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) counterparty (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counterparty (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	\$248,463 (CNY 57,000)	\$246,183 (CNY 57,000)	\$246,183 (CNY 57,000)	4.25%	2	\$-	Need for operating	\$-	-	\$-	\$249,638	\$249,638	(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 counterparty:

(1) Limit of financing amount for individual counterparty 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 counterparty.

(2) Necessary for operation: financing amount to individual counterparty 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 counterparty.

(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 equipment, 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 New Taiwan Dollars in this table are listed in the exchange rate of 4.319 as of the end of December 2021, announced by the company.

Attachment 3: 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	Hsiyu Seawater Desalination Co., Ltd.	Kuo Toong Holding Corporation	7,442,346 (Note 4)	125,000	125,000	85,000	None	2.60%	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)	1,357,300	1,307,300	1,169,946	None	27.23%	12,403,908 (Note 4)	Y	N	N	(Note 16)
0	The Company	Fujian Taiming Casting Pipe Technology Co., Ltd.	Kuo Toong Holding Corporation	3,360,723 (Note 2)	1,583,652	1,547,889	1,316,006	35,525	32.24%	4,560,981 (Note 3)	Y	N	Y	(Note 16)
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	The Company	Ultimate parent company of Xiamen Kuo Hsin	1,065,291 (Note 5)	512,730	497,340	331,560	371,002	158.66%	1,420,388 (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	258,587 (CNY59,872) (Note 7)	167,386	165,850	165,850	165,850	52.91%	313,464 (Note8)	N	N	Y	(Note 16)
2	Kuo Chuang Engineering Co., Ltd.	Hsiyu Seawater Desalination Co., Ltd.	Controlled by ultimate parent company	180,000 (Note 11)	15,000	-	-	-	-	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	77,000	75,019	137.78%	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	4,883,225 (Note 11)	1,147,300	1,147,300	1,035,170	None	36.59%	8,138,709 (Note 12)	Y	N	N	(Note 16)

(Note1) 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.

(Note2) Shall not exceed 70% of net asset value of the Company.

(Note3) Shall not exceed 95% of net asset value of the Company.

(Note4) 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.

(Note5) It shall not exceed 1.5 times the Endorsor/Guarantor's total assets.

(Note6) Shall not exceed twice the Endorsor/Guarantor's total assets.

(Note7) Shall not exceed the total amount of business transactions with the company making endorsement / guarantee in the last five years.

(Note8) Shall not exceed 100% of net asset value of the Endorsor/Guarantor.

(Note9) Shall not exceed 50% of paid capital of the Endorsor/Guarantor.

(Note10) Shall not exceed 100% of paid capital of the Endorsor/Guarantor.

(Note11) Shall not exceed three times net asset value of the Endorsor/Guarantor.

(Note12) Shall not exceed five times net asset value of the Endorsor/Guarantor.

(Note13) The balance of which is at its maximum balance of endorsement/guarantee provided to others in the current year.

(Note14) The guarantee quota/amount the Company and its subsidiaries are approved by the board of directors to endorse for others.

(Note15) The actual amount drawn by the endorsed guarantee company within the limit of the endorsed guarantee balance.

(Note16) The above transactions were all made between consolidated entities in the Group and have been reversed.

(Note17) The exchange rate of RMB to New Taiwan dollars was 1: 4.319 based on the Company's announcement made at end of December 2021.

Attachment 4: Securities held as of 31 December 2021. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities(Note1)	Relationship	Financial statement account	as of 31 December 2021				Note
				Shares (thousand)	Book value (thousands)	Percentage of ownership (%)	Fair value	
The Company	Unlisted 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 5: 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 2021

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	\$300,951	12.82%	-	-	In accordance with the project contract, the payment will be received after the payment is assessed phase by phase	Accounts receivable \$1,584,660	83.46%	(Note1)
	Kuo Chuang Engineering Co., Ltd.	Subsidiary	Sales revenue-net	195,129	8.32%	-	-	According to the sales contract, the payment will be collected month by month	Accounts receivable 59,878	3.15%	(Note1)
Kuo Yang Environment Technology Co., Ltd.	The Company	Ultimate parent company of Kuo Yang	Construction costs	300,951	62.88%	-	-	Payment according to project contract assessment progress	Accounts payable 1,584,660	99.94%	(Note1)
Kuo Chuang Engineering Co., Ltd.	The Company	Ultimate parent company of Kuo Chang	Purchase-net	195,129	99.24%	-	-	Pay monthly according to the purchase contract	Accounts payable 59,878	75.04%	(Note1)
Fujian Taiming Casting Pipe Technology Co., Ltd.	Linwu Taiming Pipe Industry Technology Co., Ltd.	Holding company's subsidiary company	Sales revenue-net	235,981	12.68%	-	-	According to the sales contract, the payment will be collected month by month	Accounts receivable 36,612	7.16%	(Note1)

Attachment 5: 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 2021

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)	
Linwu Taiming Pipe Industry Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	Holding company's parent company	Purchase-net	235,981	99.07%	-	-	Pay monthly according to the purchase contract	Accounts payable -	-	(Note1)

Note 1: The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 6: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2021

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 \$1,584,660 Other receivables – interests receivable \$27,459	19.34%	-	-	\$50,758	-	(Note1)
Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Subsidiary of Marvel Line Co., Ltd.	Other receivables -financial accommodation \$246,183 Other receivables – interests receivable \$81,512	-	-	-	-	-	(Note1)

Note 1: The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2021, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2021: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2021			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%	\$599,482	\$(26,440)	\$(25,069)	(Note 3)
	Hsiyu Seawater Desalination Co., Ltd.	Zuoying district, Kaohsiung	Water supply management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	117,000	88,000	11,700,000	100.00%	43,787	1,469	1,469	(Note 3)
	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%	53,278	(6,448)	(6,448)	(Note 3)
	Kuo Hsin Technology Co., Ltd.	Zuoying district, Kaohsiung	Chemical material manufacturing and water supply management	316,500	316,500	31,650,000	73.60%	58,760	(12,282)	(9,039)	(Note 3)
	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%	138,543	(10,108)	(10,108)	(Note 3)
The Company	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	5,319	5,319	183,488	0.76%	2,562	(26,610)	109	(Note 3)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2021			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)			
	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	82,202,031	50.50%	1,578,047	131,211	66,995	(Note 3)
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%	63,088	(6,427)	(6,427)	(Note 3)
Kuo Toong International LLC.	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	731,352	731,352	23,897,211	99.24%	619,354	(26,610)	(26,408)	(Note 3)
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	244,194,858	100.00%	3,130,995	131,048	131,048	(Note 3)

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

Attachment 8: 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 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2021	Accumulated Inward Remittance of Earnings as of 31 December 2021	Note
					Outflow	Inflow							
Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 8 )	Design, research, manufacturing, etc. of equipment and materials for seawater desalination and sewage treatment projects	\$431,900 (CNY 100,000)	(1) Marvel Line Co., Ltd.	\$401,160 (USD 14,519)	\$-	\$-	\$401,160 (USD 14,519)	\$(49,265)	91.00%	\$(44,831)	\$285,209	-	-
Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	Sewage treatment and recycling, tap water production and supply, etc.	17,060 (CNY 3,950)	(2) Xiamen Kuo Hsin Century Technology Co., Ltd.	-	-	-	-	415	47.47%	197	3,197	-	(Note 2)
Xiamen Xiangyu Rural Environmental Ecological Technology Co., Ltd.	Engineering and technical research and experimental development, environmental sanitation management, sewage treatment and its recycling	4,319 (CNY 1,000)	(2) Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	-	-	-	-	4,175	30.86%	-	(2,645)	-	(Note 2)
Fujian Taiming Casting Pipe Technology (Stock) Company (Note 8 )	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipes, various pipe fittings, fittings and precision casting products manufacturing	1,511,650 (CNY 350,000)	(1)、(2) Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 6)	657,953 (USD 23,813)	-	-	657,953 (USD 23,813)	(398,586)	55.00%	(218,360)	410,311	-	-

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 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2021	Accumulated Inward Remittance of Earnings as of 31 December 2021	Note
					Outflow	Inflow							
Fujian Taiming Trading Co., Ltd. (Note 8 )	Machinery equipment, building materials, OEM products wholesale and trade brokerage and agency	21,595 (CNY 5,000)	(2) Fujian Taiming Casting Pipe Technology (Stock) Company	-	-	-	-	(14,237)	100.00%	(14,237)	(37,761)	-	-
Linwu Taiming Pipe Industry Technology Co., Ltd. (Note 8 )	Manufacturing of ductile iron pipes and special-shaped pipe fittings, various precision casting products	(Note4)	(2) Fujian Taiming Casting Pipe Technology (Stock) Company	-	-	-	-	(13,628)	100.00%	(13,628)	(17,522)	-	-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 7)
\$1,221,495 (USD44,209 thousand)(Note 6)	\$1,221,495 (USD44,209 thousand) (Note 6)	\$4,045,795

(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 investment gains (losses) recognized for this period were recorded based on financial statements that have not been reviewed by a CPA during the period.

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

(Note4) As of 30 September 2021, accumulated prepaid investment is NTD 28,505 thousand (CNY6,600 thousand).

(Note5) Accumulated investment outflow of the Company from Taiwan is USD 23,813 thousand (converted to NTD657,953 thousand) ; the accumulated indirect investment in Mainland China (Xiamen Kuo Hsin Century Technology Co., Ltd. )from the Company is CNY40,000 thousand(converted to NTD172,760thousand)

(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.

(Note8) Eliminated when preparing the consolidated reports.

(Note9) The exchange rate of USD to New Taiwan dollars was 1: 27.63 based on the Company’s announcement made at end of December 2021. The exchange rate of RMB to New Taiwan dollars was 1: 4.319 based on the Company’s announcement made at end of December 2021.