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KUO TOONG INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022
WITH
REPORT OF INDEPENDENT AUDITORS

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

Independent Auditors' Report Translated from Chinese

To KUO TOONG INTERNATIONAL CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of KUO TOONG INTERNATIONAL CO., LTD. (the "Company") as of 31 December 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2023 and 2022, and its financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China on Taiwan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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 the 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Operating Revenue

For the year ended 31 December 2023, the Company's public work construction revenue amounted to NT$2,179,433 thousand, and constituted 68% of total revenue, and is significant to parent company only 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 Company's parent company only financial statements.

2. Contingent Liabilities – Fines to Overdue Construction

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

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

We also assessed the adequacy of disclosures of relevant contingent liabilities. Please refer to Note V and IX to the Company's parent company only financial statements.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<u>Hong, Kuo Sen</u>

<u>Huang, Shih-Chieh</u>

Ernst & Young, Taiwan
11 March 2024

<u>Notice to Readers</u>

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.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2023	31 Dec. 2022
Current Assets			
Cash and cash equivalents	IV/VI.1	$827,910	$693,802
Financial assets measured at amortized cost-current	IV/VI.3、19/VIII	717,496	547,726
Current contract assets	IV/VI.18、19	987,073	923,344
Notes receivable-net	IV/VI.4、19	7,785	10,349
Accounts receivable-net	IV/VI.5、19	248,306	194,451
Accounts receivable - related parties -net	IV/VI.5/VII	730,577	876,987
Other receivables	IV/VI.6、19	907	1,040
Other receivables -related parties	IV/VI.6/VII	55,316	30,650
Inventories-net	IV/VI.7	306,005	250,759
Other current assets	IV/VI.8/VII	181,670	93,587
Construction refundable deposit		17,268	5,540
Total current assets		4,080,313	3,628,235
Non-current assets			
Financial assets at fair value through other comprehensive income-noncurrent	IV/VI.2	527,472	481,198
Financial assets measured at amortized cost-non-current	IV/VI.3、19/VIII	100,194	134,910
Investments accounted for under equity method	IV/VI.9	2,428,906	2,748,636
Property, plant and equipment	IV/VI.10/VIII	306,025	281,878
Right-of-use asset	IV/VI.20/VIII	11,050	-
Deferred tax assets	IV/VI.24	25,980	40,766
Guarantee deposits paid	VIII	32,825	17,581
Long-term receivables	VI.5、19/VIII	115,867	115,867
Other non-current assets -others	IV/VI.8	43,543	31,317
Total non-current assets		3,591,862	3,852,153
Total Assets		$7,672,175	$7,480,388

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

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2023	31 Dec. 2022
Current liabilities			
Short-term loans	IV/VI.11/VII	$175,500	$280,000
Short-term notes payable	IV/VI.12	50,000	-
Contract liabilities-current	IV/VI.18/VII	91,831	161,001
Notes payable		143,403	133,078
Accounts payable		542,918	365,213
Accounts payable -related parties	VII	410	255
Other payables	VI.13	189,662	123,474
Other payables - related parties	VI.13/VII	11,062	8,896
Current tax liabilities	IV/VI.24	212,408	143,772
Lease liabilities-current	IV/VI.20	4,704	-
Current portion of long-term liability	IV/VI.15/VII	44,400	128,710
Other current liabilities - others	VII	13,660	102,476
Total current liabilities		1,479,958	1,446,875
Non-current liabilities			
Bonds payable	IV/VI.14	249,802	249,624
Long-term loans	IV/VI.15	85,866	236,045
Deferred tax liabilities	IV/VI.24	155,307	153,847
Lease liabilities-non current	IV/VI.20	6,411	-
Net defined benefit liabilities - non current	IV/VI.16	5,918	7,782
Other non-current liabilities, others		21,954	26,628
Total non-current liabilities		525,258	673,926
Total liabilities		2,005,216	2,120,801
Equity attributable to the parent company			
Capital	IV/VI.17		
Common stock		2,480,782	2,480,782
Capital surplus	IV/VI.17	1,470,181	1,470,181
Retained earnings	IV/VI.17		
Legal reserve		463,673	399,779
Special reserve		205,904	249,554
Unappropriated earnings		1,401,779	965,195
Subtotal		2,071,356	1,614,528
Other equity	IV/VI.23		
Exchange differences resulting from translating the financial statements of a foreign operations		(89,822)	(86,692)
Unrealized (profit) and loss of financial assets measured at fair value through other comprehensive income		(265,538)	(119,212)
Subtotal		(355,360)	(205,904)
Total equity		5,666,959	5,359,587
Total liabilities and equity		$7,672,175	$7,480,388

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

English Translation of Financial Statements Originally Issued in Chinese
KUO TOONG INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY OF COMPREHENSIVE INCOME
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

ITEMS	Notes	2023	2022
Operating revenues	IV/VI.18	$3,224,302	$2,398,708
Operating costs	IV/VI.7、16、20、21/VII	(2,006,779)	(1,636,740)
Gross profit		1,217,523	761,968
Unrealized gross profit on sales		3	(7,998)
Realized gross profit on sales		8,142	9,073
Gross profit-net		1,225,668	763,043
Operating expenses	IV/VI.16、19、20、21/VII		
Sales and marketing expenses		(2,347)	(3,416)
General and administrative expenses		(164,869)	(103,326)
Research and development expenses		(30,353)	(23,304)
Subtotal		(197,569)	(130,046)
Operating income		1,028,099	632,997
Non-operating income and expenses			
Other revenue	VI.22	37,442	56,150
Other gain and loss	VI.22	(8,093)	116,876
Financial costs	VI.22	(13,790)	(31,537)
Share of profit or loss of associates and joint ventures	IV/VI.9	(98,452)	15,661
Subtotal		(82,893)	157,150
Income from continuing operations before income tax		945,206	790,147
Income tax expense	IV/VI.24	(231,336)	(165,001)
Net income		713,870	625,146
Other comprehensive income (lose)	IV/VI.23		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plan		(11,205)	17,246
Unrealized loss on investments in equity instruments at fair value through other comprehensive income		(146,326)	(19,845)
Income tax related to items that may not be reclassified subsequently		2,241	(3,449)
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operations		(3,130)	63,495
Total other comprehensive income, net of tax		(158,420)	57,447
Total comprehensive income		$555,450	$682,593
Earnings per share (NTD)			
Earnings per share-basic	IV/VI.25	$2.88	$2.52
Earnings per share-diluted	IV/VI.25	$2.86	$2.51

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

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Other equity		
ITEMS	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translating the financial statements of a foreign operations	Unrealized gain (Loss) on financial assets at fair value through other comprehensive income	Total Equity
	3110	3200	3310	3320	3350	3410	3420	3XXX
Balance as of 1 January 2022	$2,480,782	$1,470,181	$355,058	$241,753	$502,813	$(150,187)	$(99,367)	$4,801,033
Appropriation and distribution of 2021 retained earning								
Legal Reserve	-	-	44,721	-	(44,721)	-	-	-
Special reserve	-	-	-	7,801	(7,801)	-	-	-
Cash dividends	-	-	-	-	(124,039)	-	-	(124,039)
Net income for the year ended 31 December 2022	-	-	-	-	625,146	-	-	625,146
Other comprehensive income, net of tax for the year ended 31 December 2022	-	-	-	-	13,797	63,495	(19,845)	57,447
Total comprehensive income	-	-	-	-	638,943	63,495	(19,845)	682,593
Balance as of 31 December 2022	$2,480,782	$1,470,181	$399,779	$249,554	$965,195	$(86,692)	$(119,212)	$5,359,587
Balance as of 1 January 2023	$2,480,782	$1,470,181	$399,779	$249,554	$965,195	$(86,692)	$(119,212)	$5,359,587
Appropriation and distribution of 2022 retained earning								
Legal Reserve	-	-	63,894	-	(63,894)	-	-	-
Cash dividends	-	-	-	-	(248,078)	-	-	(248,078)
Reversal of special reserve	-	-	-	(43,650)	43,650	-	-	-
Net income for the year ended 31 December 2023	-	-	-	-	713,870	-	-	713,870
Other comprehensive income, net of tax for the year ended 31 December 2023	-	-	-	-	(8,964)	(3,130)	(146,326)	(158,420)
Total comprehensive income	-	-	-	-	704,906	(3,130)	(146,326)	555,450
Balance as of 31 December 2023	$2,480,782	$1,470,181	$463,673	$205,904	$1,401,779	$(89,822)	$(265,538)	$5,666,959

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

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	2023	2022
Cash flows from operating activities:		
Net income before tax	$945,206	$790,147
Adjustments for:		
Income and expense adjustments:		
Depreciation	40,681	47,537
Amortization	355	226
Expected credit impairment losses (gain)	107	(60)
Interest expense	13,790	31,537
Interest revenue	(30,649)	(31,991)
Share of losses(profit) of subsidiaries, associates and joint ventures recognized by the equity method	98,452	(15,661)
Loss on disposal of property, plant and equipment	1,694	-
Property, plant and equipment transferred to expenses	4,261	-
Losses on disposal of investments accounted for under equity method	-	(155,352)
Impairment loss on non-financial assets	2,498	2,189
Unrealized gross profit	(3)	7,998
Realized gross profit	(8,142)	(9,073)
Unrealized foreign currency exchange gains	-	30,220
(Gain) on lease liabilities modification	(2)	-
(Gain) on bargain purchase	-	(20,810)
Income and expense adjustments	123,042	(113,240)
Changes in operating assets and liabilities:		
Contract assets	(63,729)	(182,659)
Notes receivable-net	2,564	10,304
Accounts receivable-net	(53,855)	(96,858)
Accounts receivable- related parties -net	146,410	780,942
Other receivables	26	379,989
Other receivables - related parties	(24,666)	1,401
Inventories	(58,851)	11,792
Other current assets	(61,904)	(47,005)
Contract liabilities	(69,170)	113,120
Notes payable	10,325	30,106
Accounts payable	177,705	(32,030)
Accounts payable - related parties	155	(482)
Other payables	67,667	(34,707)
Other payables - related parties	2,166	2
Other current liabilities	(88,816)	(18,122)
Accrued pension liabilities	(13,069)	(2,277)
Other non-current liabilities	(4,674)	9,028
Cash generated from operations	1,036,532	1,599,451
Interest received	6,301	29,438
Interests paid	(15,091)	(30,021)
Income tax paid	(144,213)	(128,893)
Net cash provided by operating activities	883,529	1,469,975

ITEMS	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at amortised cost	(135,054)	(165,322)
Acquisition of equity investments under equity method	-	(100,000)
Acquisition of property, plant and equipment	(65,548)	(15,552)
(Increase) in refundable deposits	(27,172)	-
Decrease in refundable deposits	-	64,423
Acquisition of intangible assets	(1,713)	-
(Increase) of other non-current financial assets	(10,868)	-
Decrease of other non-current financial assets	-	42,272
Dividends received	33,693	-
Net cash used in investing activities	(206,662)	(174,179)
Cash flows from financing activities:		
Increase in short-term loans	219,454	888,900
Decrease in short-term loans	(323,954)	(1,534,706)
Increase in short-term notes payable	100,000	-
Decrease in short-term notes payable	(50,000)	(10,000)
Proceeds from bonds issued	-	249,514
Redemption of bonds	-	(250,000)
Increase in long-term loans	79,400	150,000
Dencrease in long-term loans	(315,720)	(181,053)
Payments of lease liabilities	(3,861)	-
Cash dividends	(248,078)	(124,039)
Net cash used in financing activities	(542,759)	(811,384)
Net increase in cash and cash equivalents	134,108	484,412
Cash and cash equivalents at beginning of period	693,802	209,390
Cash and cash equivalents at end of period	$827,910	$693,802

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

(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 activities are 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, and spare parts.

(2) The Company became a listed company on the Taiwan Stock Exchange on 9 September 2002.

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

The financial statements of the Company for the years ended 31 December 2023 and 2022 were authorized for issue in accordance with a resolution of the Board of directors on 11 March 2024.

III. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company applied for the first-time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
2	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
3	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
4	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(1) 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.

(2) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(3) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(4) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024. The new or amended standards and interpretations have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	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
2	IFRS 17 “Insurance Contracts”	1 January 2023
3	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(1) 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.

(2) 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 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.

(3) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company determined that the newly published standards and interpretations have no material impact on the Company.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The financial statements of the Company for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of preparation

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

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

3. Foreign currency transactions

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

4. Translation of financial statements in foreign currency

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

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

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

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

5. Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Company holds the asset primarily for the purpose of trading.
(c) The Company expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

6. Cash and cash equivalents

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

7. Financial instruments

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

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

(1) <u>Financial instruments: recognition and measurement</u>

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

(2) <u>Impairment of financial assets</u>

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

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

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcome

(b) the time value of money
(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 measured as follows:

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

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

(3) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(4) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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.

8. Fair value measurement

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

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

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

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

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

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

9. Inventories

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

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

Raw materials – At actual purchase cost using weighted-average method.

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

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

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

10. Investments accounted for using the equity method

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

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

Under the equity method, the investment in the associate 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 Company’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 Company 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 Company and the associate or joint venture are eliminated to the extent of the Company’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 Company’s percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Company’s interest in an associate or a joint venture is reduced or increased as the Company 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 Company disposes of the associate or joint venture.

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate 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 Company 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 Company 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 Company 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.

11. Property, plant and equipment

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

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

Buildings	3～55 years
Machinery and equipment	2～20 years
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 residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

12. Leases

The Company 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 Company 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 Company 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 Company 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 Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

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

At the commencement date, the Company 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 Company 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 Company is reasonably certain to exercise that option
(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 Company 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 Company 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
(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 Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company 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 Company 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 Company accounted for as short-term leases or leases of low-value assets, the Company 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 of comprehensive income.

For short-term leases or leases of low-value assets, the Company 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.

Company as a lessor

At inception of a contract, the Company 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 Company 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 Company allocates the consideration in the contract applying IFRS 15.

The Company 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.

13. 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 recognized in profit or loss when the asset is derecognized.

<u>Computer software</u>

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2 to 3 years).

14. Impairment of non-financial assets

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

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

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

15. Provisions

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

16. Revenue recognition

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

Sale of goods

The Company manufactures and sells goods. 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 Company 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 Company's merchandise sales transaction is usually set in accordance with the contract. In most of the contracts, the accounts receivable is recognized 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 no significant financial components.

Construction contract

The Company is engaged in the contracting business of public constructions because 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 Company 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, the Company is obligated to provide services; therefore, the contract revenue is recognized as contract liabilities.

If it is impossible to reasonably measure the percentage of completion of the obligated project contract performance, the contract revenue is recognized within the expected recoverable cost range.

When the Company 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.

17. Borrowing costs

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

18. 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 Company’s 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 Company recognizes restructuring-related costs.

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

19. Share-based payment transactions

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

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

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

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

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

20. 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.

<u>Current income tax</u>

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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

V. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that 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 recognition of profit and loss on contract is based on the degree of completion of contract activities to recognize contract revenue and contract costs respectively and to measure the percentage of completion based on the ratio of contract costs incurred to date to the total estimated contract costs. The company 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 receivable–estimation of impairment loss

The Company 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

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

(5) Impairment of Non-financial assets

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

(6) Income tax

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

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

(7) Provision

The Company estimates the provisions for onerous contracts based on the historical experience and other known reasons.

The Company regularly evaluates the occurrence of obligations such as legal actions, and related legal costs. If the current obligation is likely to occur and the amount can be reasonably estimated, provisions for related legal matters will be recognized.

VI. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

	31 Dec. 2023	31 Dec. 2022
Cash on hand	$1,961	$2,468
Check Deposit	637	233
Saving Account	820,287	691,101
Investments in bonds with resale agreements	5,025	-
Total	$827,910	$693,802

2. Financial assets at fair value through other comprehensive income

	31 Dec. 2023	31 Dec. 2022
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies' stock(Note)	$527,472	$481,198

(Note) On 5 May 2022, as the Company did not participate in the capital increase case of Fujian Taiming Casting Pipes, it lost its control over Fujian Taiming Casting Pipes. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, based on an objective factual assessment on 30 November 2022, the Company realized that it could not affect the operational decision-making of Fujian Taiming Casting Pipes through voting on a resolution, resulting in the loss of significant influence of the Company. Therefore, the Company stopped accounting for the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income.

The Company's financial assets measured at fair value through other comprehensive income were not pledged as collateral.

For equity instrument investments measured at fair value through other comprehensive income, the Company did not recognize dividends for the years ended 31 December 2023 and 2022.

3. Financial assets measured at amortized cost

	31 Dec. 2023	31 Dec. 2022
Time Deposits	$306,251	$321,654
Saving Account-pledge account	511,439	360,982
Total	$817,690	$682,636
Current	$717,496	$547,726
Non-current	100,194	134,910
Total	$817,690	$682,636

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

Please refer to Note VI (19) for more details on loss allowance 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 Receivables

	31 Dec. 2023	31 Dec. 2022
Notes receivables	$7,785	$10,349
Less: allowance for doubtful accounts	-	-
Total	$7,785	$10,349

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment . Please refer to Note VI (19) for more details on accumulated impairment and Note XII for details on credit risk.

5. Accounts Receivable, Accounts Receivable-Related Parties and Long-term Receivable

	31 Dec. 2023	31 Dec. 2022
Accounts Receivable	$248,352	$194,497
Long-term receivable (Note)	115,867	115,867
Less: allowance for doubtful accounts	(46)	(46)
Subtotal	364,173	310,318
Accounts receivable from related parties	730,577	876,987
Less: allowance for doubtful accounts	-	-
Subtotal	730,577	876,987
Total	$1,094,750	$1,187,305
Current (recognized as accounts receivable (related parties included) - net)	$978,883	$1,071,438
Non-current (recognized as long-term accounts receivable)	115,867	115,867
Total	$1,094,750	$1,187,305

Accounts receivable and long-term receivable under pledge were not pledged.

Accounts receivables are generally regulated by contracts. Account receivable amounted to NT$1,094,796 thousand and NT$1,187,351 thousand as at 31 December 2023 and 2022. Please refer to Note VI(19) for more details on impairment of accounts receivables for the years ended 31 December 2023 and 2022 and please refer to Note XII for credit risk disclosure.

(Note) The Company is in litigation with the owner regarding the case of “New Construction Project of Magong Additional 4,000 ton Seawater Desalination Plant” (Magong Second Desalination Plant Phase I). The dispute of overdue construction days is still pending in the Taichung District Court of Taiwan, so the relevant payment is transferred to long-term receivables. Please refer to Note IX (VII).1.

6. Other Receivables

	31 Dec. 2023	31 Dec. 2022
Other receivables	$39,210	$39,236
Less: allowance for doubtful accounts	(38,303)	(38,196)
Subtotal	907	1,040
Other receivables from related parties	55,316	30,650
Less: allowance for doubtful accounts	-	-
Subtotal	55,316	30,650
Total	$56,223	$31,690

Information on changes of loss allowance for other receivables for the years ended 31 December 2023 and 2022 are as follows:

	Other Receivable
1 Jan. 2023	$38,196
Addition for the current period	107
31 Dec. 2023	$38,303
1 Jan. 2022	$37,696
Addition for the current period	640
Write-off due to uncollectible	(140)
31 Dec. 2022	$38,196

7. Inventories

	31 Dec. 2023	31 Dec. 2022
Raw materials	$27,363	$37,524
Work in progress	122,151	136,782
Finished goods	153,253	76,453
Merchandise	3,238	-
Total	$306,005	$250,759

The cost of inventories recognized in expenses amounted to NT$604,415 thousand and NT$634,994 thousand for the years ended 31 December 2023 and 2022, which included inventory destocking in each age range for the year ended 31 December 2023, resulting in decrease in slow-moving inventory appropriated by the Company. The Company therefore recognized reversal gains on inventory in the amount of NT$23,616 thousand for the year ended 31 December 2023, and loss of inventory valuation in the amount of NT$1,017 thousand, due to the recognition of write-down of inventory reduced to net realizable value for the year ended 31 December 2022.

No inventories were pledged.

8. Other Current Asset and Other Non-current Assets

	31 Dec. 2023	31 Dec. 2022
Prepayments	$53,865	$32,105
Prepayments for construction	54,446	596
Inventory of supplies	64,298	57,056
Prepayments for equipment	42,115	31,247
Others	10,489	3,900
Total	$225,213	$124,904
Current	$181,670	$93,587
Non-current	43,543	31,317
Total	$225,213	$124,904

(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

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

Investees	31 Dec. 2023 Carrying amount	31 Dec. 2023 Percentage of ownership	31 Dec. 2022 Carrying amount	31 Dec. 2022 Percentage of ownership
Investments in Associates				
Kuo Toong International LLC.	$230,816	100.00%	$652,448	100.00%
Hsiyu Seawater Desalination Co., Ltd.	46,926	100.00%	45,524	100.00%
Jie Mao International Co., Ltd.	88,549	100.00%	59,661	100.00%
Jian-yi Construction Co., Ltd.	282,848	100.00%	283,478	100.00%
Kuo Hsin Technology Co., Ltd.	50,266	73.60%	52,646	73.60%
Ding Teng Co., Ltd.	1,727,734	50.50%	1,649,883	50.50%
Marvel Line Co., Ltd.	1,767	0.76%	4,996	0.76%
Total	$2,428,906		$2,748,636	

(1) Jian-yi Construction Co., Ltd. issued 10,000 thousand new shares with a cash capital increase on 23 August 2022. The company acquired 10,000 thousand shares at a price of 100,000 thousand. The shareholding ratio of Jian-yi Construction Co., Ltd. remains unchanged.
(2) The Board of directors of Kuo Hsin Technology Co., Ltd. resolved to apply for suspension of business on 20 May 2022. The National Taxation Bureau of Kaohsiung approved the application for suspension of business from 1 August 2022 to 31 July 2023 on 29 July 2022, and the cessation of business was approved on 5 July 2023 to be extended to 31 July 2024, and the application for re-commencement was approved by the National Taxation Bureau of Kaohsiung, Ministry of Finance on 16 November 2023.
(3) The above-mentioned subsidiaries will pay NT$33,693 thousand and NT$0 thousand in cash dividends to the company as of 31 December 2023 and 2022, respectively.
(4) For information on the company's subsidiaries, please also refer to the company's 2023 consolidated financial statements.

Investment subsidiaries

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

10. Property, plant and equipment

	31 Dec. 2023	31 Dec. 2022
Owner occupied property, plant and equipment	$306,025	$281,878

Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Other Equipment	Construction in progress	Total
Cost:						
1 Jan. 2023	$107,642	$184,695	$825,995	$106,031	$4,687	$1,229,050
Additions	10,676	1,291	19,882	16,215	17,484	65,548
Disposal	-	-	(88,096)	(6,680)	-	(94,776)
Other	5,987	11,275	(4,932)	200	(17,262)	(4,732)
31 Dec. 2023	$124,305	$197,261	$752,849	$115,766	$4,909	$1,195,090
1 Jan. 2022	$106,322	$182,191	$816,044	$105,220	$4,687	$1,214,464
Additions	1,320	2,504	9,380	2,348	-	15,552
Disposal	-	-	-	(966)	-	(966)
Other	-	-	571	(571)	-	-
31 Dec. 2022	$107,642	$184,695	$825,995	$106,031	$4,687	$1,229,050
Depreciation and impairment						
1 Jan. 2023	$-	$131,659	$727,180	$86,144	$2,189	$947,172
Depreciation	-	6,410	25,342	5,001	-	36,753
Impairment(Note)	-	-	-	-	2,498	2,498
Disposal	-	-	(86,402)	(6,680)	-	(93,082)
Other	-	-	(4,276)	-	-	(4,276)
31 Dec. 2023	$-	$138,069	$661,844	$84,465	$4,687	$889,065
1 Jan. 2022	$-	$124,310	$691,484	$82,618	$-	$898,412
Depreciation	-	7,349	35,696	4,492	-	47,537
Impairment(Note)	-	-	-	-	2,189	2,189
Disposal	-	-	-	(966)	-	(966)
31 Dec. 2022	$-	$131,659	$727,180	$86,144	$2,189	$947,172
Net book value:						
31 Dec. 2023	$124,305	$59,192	$91,005	$31,301	$222	$306,025
31 Dec. 2022	$107,642	$53,036	$98,815	$19,887	$2,498	$281,878

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

(Note) The Company reduced part of the PPE to recoverable amounts for the year ended 31 December 2023 and 2022, resulting in an impairment loss of NT$2,498 thousand and NT$2,189 thousand, which was recognized in the non-operating income and expenses of the consolidated income statement. Please refer to Note VI (22) for details.

Some of the Company's land accounted for as property, plant and equipment is not yet available for transfer in the Company's name because the land is agricultural land. It is temporarily registered in the name of a third party to obtain a statement of unconditional transfer of ownership from the owner.

11. Short-term Loans

	Interest rate range	31 Dec. 2023	31 Dec. 2022
Bank Secured loans	2.48%	$175,500	$280,000

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

12. Short-term notes payable

	31 Dec. 2023	31 Dec. 2022
Commercial paper payable	$50,000	$-
Less: Discount of commercial paper payable	-	-
Total	$50,000	$-

13. Other Payable and Other Payable-Related Parties

	31 Dec. 2023	31 Dec. 2022
Salaries Payable	$40,955	$35,211
Other expenses payable	146,801	85,770
Equipment payments payable	1,701	1,618
Other payable – related parties	11,062	8,896
Other payable – others	205	875
Total	$200,724	$132,370

14. Bonds payable

	31 Dec. 2023	31 Dec. 2022
Secured and non-convertible bonds	$250,000	$250,000
Less: Discount of bonds payable	(198)	(376)
Net	249,802	249,624
Less: Current portion	-	-
Total	$249,802	$249,624

(1) As at 11 January 2022, the Company issued secured bond amounted to NT$250,000 thousand with par rate of 0.63%. The issuance period is from 11 January 2022 to 11 January 2025.
(2) Please refer to Note VI (22) for the interest expenses of bonds payable.

15. Long-term Loans

Details are as follows:

Creditors	31 Dec. 2023	Interest rate (Note)	Redemption
Shanghai Commercial Bank Credit Loan	$18,000		From 22 March 2021 to 22 March 2026, repayment began on 22 April 2021, amortized and interest paid monthly.
Shanghai Commercial Bank Secured Loan	80,000		From 1 August 2022 to 1 August 2026, repayment began on 1 September 2022, amortized and interest paid monthly.
Taichung Commercial Bank Co., Ltd. Secured Loan	29,670		From 15 October 2021 to 15 March 2026, interest will be paid monthly basis and will be deducted at 40% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date.
Bank of Panshin Secured Loan	6,400		From 16 October 2023 to 12 July 2024, interest will be paid monthly basis and will be deducted at 40% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date. The loan facility can be drawn from 16 October 2023 to 16 April 2026, and is available for revolving use.
Subtotal	134,070		
Less: current portion	(44,400)		
Less: unamortized expense	(3,804)		
Total	$85,866		

Note: Interest rate range is between 2.75%~3.00%.

Creditors	31 Dec. 2022	Interest rate (Note)	Redemption
Shanghai Commercial Bank Secured Loan	$6,000		From 20 December 2019 to 20 September 2023, repayment began on 20 January 2020, amortized and interest paid monthly.
Shanghai Commercial Bank Credit Loan	26,000		From 22 March 2021 to 22 March 2026, repayment began on 22 April 2021, amortized and interest paid monthly.

Creditors	31 Dec. 2022	Interest rate (Note)	Redemption
Shanghai Commercial Bank Secured Loan	110,000		From 1 August 2022 to 1 August 2026, repayment began on 1 September 2022, amortized and interest paid monthly.
Taiwan Cooperative Bank Secured Loan	54,710		From 28 October 2020 to 28 October 2023, interest will be paid 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.
Taichung Commercial Bank Co., Ltd. Secured Loan	143,680		From 15 October 2021 to 15 March 2026, interest will be paid monthly basis and will be deducted at 40% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date.
O-Bank Secured Loan	30,000		From 26 September 2022 to 26 September 2023, interest will be paid 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. The use period of the quota is from 15 June 2022 to 14 June 2025, with revolving credit.
Subtotal	370,390		
Less: current portion	(128,710)		
Less: unamortized expense	(5,635)		
Total	$236,045		

Note: Interest rate range is between 2.23%~2.88%.

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

16. Post-Employment Benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were NT$6,933 thousand and NT$5,915 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2%~3% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before end of each year, the Company 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$7,907 thousand to its defined benefit plan during the 12 months beginning after 31 December 2023.

As at 31 December 2023 and 2022, the Company's defined benefit plans are expected to mature in 2031 and 2030, respectively.

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

	2023	2022
Current service cost	$440	$785
Net interest on the net defined benefit liability (asset)	95	126
Total	$535	$911

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

	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Defined benefit obligation	$47,626	$47,661	$64,324
Plan assets at fair value	(41,708)	(39,879)	(37,019)
Net defined benefit liabilities	$5,918	$7,782	$27,305

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. 2022	$64,324	$(37,019)	$27,305
The cost of defined benefit plan recognized to profit and loss:			
Current service cost	785	-	785
Interest expense (income)	302	(176)	126
Subtotal	65,411	(37,195)	28,216
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	(3,465)	-	(3,465)
Experience adjustments	(10,757)	-	(10,757)
Remeasurements of the defined benefit assets	-	(3,024)	(3,024)
Subtotal	(14,222)	(3,024)	(17,246)
Payment of benefit obligation	(3,528)	3,528	-
Contribution by employer	-	(3,188)	(3,188)
31 Dec. 2022	$47,661	$(39,879)	$7,782
The cost of defined benefit pan recognized to profit and loss:			
Current service cost	440	-	440
Interest expense (income)	630	(535)	95
Subtotal	48,731	(40,414)	8,317
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	528	-	528
Experience adjustments	10,952	-	10,952
Remeasurements of the defined benefit assets	-	(275)	(275)
Subtotal	11,480	(275)	11,205
Payment of benefit obligation	(12,585)	6,810	(5,775)
Contribution by employer	-	(7,829)	(7,829)
31 Dec. 2023	$47,626	$(41,708)	$5,918

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

	31 Dec. 2023	31 Dec. 2022
Discount rate	1.18%	1.32%
Expected rate of salary increase	1.00%	1.00%

A sensitivity analysis for significant assumption as at 31 December 2023 and 2022 was, as shown below:

	2023		2022	
	Defined benefit obligations increase	Defined benefit obligations decrease	Defined benefit obligations increase	Defined benefit obligations decrease
Discount rate increase by 0.25%	$-	$(909)	$-	$(947)
Discount rate decrease by 0.25%	938	-	978	-
Rate of future salary increase by 0.25%	923	-	963	-
Rate of future salary decrease by 0.25%	-	(898)	-	(938)

The sensitivity analysis above is 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.

17. Equity

(1) Common stock

As at 31 December 2023 and 2022, the Company’s authorized common share capital totaled NT$3,000,000 thousand, each at a par value of NT$10 for 300,000 thousand shares. Both the issued share capital amounted to NT$2,480,782 thousand, at a par value of NT$10 per share, accounting for 248,078 thousand shares. Each share has one voting right and the right to receive dividends.

(2) Capital surplus

	31 Dec. 2023	31 Dec. 2022
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	9,616	9,616
Invalidation of employee stock options	14,497	14,497
Invalidation of conversion rights of convertible corporate debt	2,203	2,203
Total	$1,470,181	$1,470,181

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) 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 gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

For the first-time adoption of IFRS, the special reserve set aside both amounted to NT$39,793 thousand as of 1 January 2023 and 2022. In addition, the Company did not use, dispose of or reclassify any related assets from 1 January to 31 December 2023 and 2022, therefore they did not reverse the retained earnings to undistributed retained earnings.

As at 31 December 2023 and 2022, the amount of the first adoption of retained earnings were both NT$39,793 thousand.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved at the board meeting and hareholders' meeting held on 11 March 2024 and 21 June 2023, respectively, are as follows:

	Appropriation of earnings		Cash dividend per share	
	2023	2022	2023	2022
Legal reserve	$70,491	$63,894		
Special reserve	149,456	(43,650)		
Cash dividends	372,117	248,078	NT$ 1.50 Per share	NT$ 1.00 Per share

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

18. Operating revenues

	2023	2022
Revenue from clients		
Sales - merchandise	$932,271	$780,293
Sales - construction	2,179,433	1,488,012
Sales - rendering of services	112,598	130,403
Total	$3,224,302	$2,398,708

Analysis of revenue from contracts with customers for the years ended 2023 and 2022 was as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2023

	Single Operating Department
Pipe Fittings	$932,271
Public Work Construction Revenue	2,179,433
Service Revenue	111,626
Other Revenue	972
Total	$3,224,302

Timing of Revenue Recognition:	
Goods transferred at a point in time	$932,271
Construction transferred over time	2,179,433
Labor transferred at a point in time	112,598
Total	$3,224,302

For the year ended 31 December 2022

	Single Operating Department
Pipe Fittings	$780,293
Public Work Construction Revenue	1,488,012
Service Revenue	130,355
Other Revenue	48
Total	$2,398,708

Timing of Revenue Recognition:	
Goods transferred at a point in time	$780,293
Construction transferred over time	1,488,012
Labor transferred a point in time	130,403
Total	$2,398,708

(2) Contract balances

A. Contract assets – current

	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Sale of goods	$15,306	$15,306	$15,306
Public work construction	971,767	908,038	725,379
Total	$987,073	$923,344	$740,685

The engineering retention generated by the Company's operations is interest-free and will be recovered at the end of the individual construction contract retention period, which is the normal operating cycle of the Company, which usually exceeds one year. The retention receivables as at 31 December 2023, 31 December 2022, and 1 January 2022 amounted to NT$203,409 thousand, NT$97,386 thousand and NT$77,572 thousand, respectively, which were classified as contract assets.

B. Contract liabilities - current

	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Public Work Construction	$50,924	$46,096	$17,010
Advanced Receipts	40,907	114,905	30,871
Total	$91,831	$161,001	$47,881

(3) The changes in contract assets and contract liabilities are mainly due to the difference between the time when the Company transfers goods or services to customers to meet the performance obligations and the time when the customers pay. There were no other major changes for the years ended 31 December 2023 and 2022.

19. Expected credit losses/(gains)

	2023	2022
Operating Expense- Expected credit (gains)		
Contract assets	$-	$-
Notes receivable	-	-
Accounts receivable and long-term receivable	-	(60)
Total	$-	$(60)

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

The credit risk for financial assets measured at amortized cost as at 31 December 2023 and 2022 was assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Company transacts with financial institutions with good credit, no allowance for losses has been provided in current period.

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

(1) The total book value of the contract assets was NT$987,073 thousand and NT$923,344 thousand, and the amount of loss allowance measured by the expected credit loss rate of 0% was NT$0 thousand.
(2) Accounts receivables are divided into groups based on factors such as the counterparty credit rating, region and industry. Provision matrix is used to measure the loss allowance. For counterparties facing financial difficulties, individual assessment are adopted for loss allowance. The relevant information is as follows:

As at 31 December 2023

	Not yet due	Overdue				
	(Note)	<=90 days	91-180 days	181-360 days	>=361 days	Total
Gross carrying amount	$1,102,535	$-	$-	$-	$46	$1,102,581
Loss ratio	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	(46)	(46)
Carrying amount	$1,102,535	$-	$-	$-	$-	$1,102,535

(Note) The Company's notes receivables are not overdue.

As at 31 December 2022

	Not yet due	Overdue				
	(Note)	<=90 days	91-180 days	181-360 days	>=361 days	Total
Gross carrying amount	$1,197,654	$-	$-	$-	$46	$1,197,700
Loss ratio	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	(46)	(46)
Carrying amount	$1,197,654	$-	$-	$-	$-	$1,197,654

(Note) The Company's notes receivables are not overdue.

The movement in the provision for impairment of contract assets, notes receivables and accounts receivables for the years ended 31 December 2023 and 2022 is as follows:

	Contract Assets	Notes Receivables	Trade Receivables
1 Jan. 2023	$-	$-	$46
Reversal for the current period	-	-	-
Write-off due to uncollectible	-	-	-
31 Dec. 2023	$-	$-	$46
1 Jan. 2022	$-	$-	$7,393
Reversal for the current period	-	-	(700)
Write-off due to uncollectible	-	-	(6,647)
31 Dec. 2022	$-	$-	$46

20. Leases

(1) The Company as a lessee

The Company leases properties, including land, buildings and transportation equipment. The lease terms for each contract range from 2 to 4 years.

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

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2023	31 Dec. 2022
Land	$9,440	$-
Buildings	533	-
Transportation equipment	1,077	-
Total	$11,050	$-

For the years ended 31 December 2023 and 2022, the company's additions to right-of-use assets amounted to NT$15,338 thousand and NT$0 thousand, respectively.

(b) Lease liabilities

	31 Dec. 2023	31 Dec. 2022
Current	$4,704	$-
Non-current	6,411	-
Total	$11,115	$-

Please refer to Note VI (22) for the interest on lease liabilities recognized for the years ended 31 December 2023 and 2022. Please refer to Note XII (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	2023	2022
Land	$2,199	$-
Buildings	795	-
Transportation equipment	934	-
Total	$3,928	$-

C. Income and costs relating to leasing activities

	2023	2022
The expenses relating to short-term leases	$7,486	$-

D. Cash outflow relating to leasing activities

For the years ended 31 December 2023 and 2022, the Company's total cash outflows for leases amounted to NT$11,347 thousand and NT$10,945 thousand, respectively.

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

	2023			2022		
	Operating costs	Operating expenses	Total Amount	Operating costs	Operating expenses	Total Amount
Employee benefits expense						
Salaries	$149,247	$92,726	$241,973	$144,948	$60,865	$205,813
Labor and health insurance	16,050	4,123	20,173	12,902	3,744	16,646
Pension	4,348	3,120	7,468	4,056	2,770	6,826
Remuneration of directors	-	43,627	43,627	-	18,715	18,715
Other personnel expenses	9,986	2,762	12,748	9,182	3,092	12,274
Depreciation	31,992	8,689	40,681	43,863	3,674	47,537
Amortization	12	343	355	14	212	226

(1) The number of employees of the company as of 31 December 2023 and 2022 were 295 and 263, respectively; among whom the number of directors who did not serve as employees concurrently were 7 and 8, respectively.

(2) Companies whose stocks have been listed on the stock exchange or the OTC trading center should disclose the following information:

A. The average employee benefit expense for the year was NT$ 980 thousand. The average employee benefit cost of the previous year was NT$ 947 thousand.

B. The average employee salary cost of this year was NT$ 840 thousand. The average employee salary cost of the previous year was NT$ 807 thousand.

C. The average employee salary cost adjustment changes decreased by 4.09%.

D. The Company's salary and remuneration policy (including directors, supervisors, managers and employees):

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

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

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

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

According to the Articles of Incorporation, 2% of profit of the current year is distributable as employees’ compensation and no higher than 4% 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 2023 to be in the amount of NT$46,460 thousand and NT$40,782 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 2022 to be in the amount of NT$20,678 thousand and NT$16,294 thousand, respectively, which was recognized as employee benefits expense.

A resolution was approved at a Board meeting held on 11 March 2024 to distribute NT$46,460 thousand and NT$40,782 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 for the year ended 2023.

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 2022.

22. Non-operating income and expenses

(1) Other income

	2023	2022
Interest income	$30,649	$31,991
(Gain) on bargain purchase	-	20,810
Other income-other	6,793	3,349
Total	$37,442	$56,150

(2) Other gains and losses

	2023	2022
(Loss) on disposal of property, plant and equipment	$(1,694)	$-
Disposal of investment gains accounted for using the equity method	-	155,352
Non-financial asset impairment (loss)	(2,498)	(2,189)
Foreign exchange (loss), net	(1,504)	(30,786)
Others	(2,397)	(5,501)
Total	$(8,093)	$116,876

(3) Finance costs

	2023	2022
Interest on borrowings from bank	$(13,432)	$(31,329)
Interest on bonds payable	(178)	(208)
Interest on lease liabilities	(180)	-
Total	$(13,790)	$(31,537)

23. Components of other comprehensive income

For the year ended 31 December 2023

	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	$(11,205)	$2,241	$(8,964)
Unrealized (losses) from equity instruments measured at fair value through other comprehensive income	(146,326)	-	(146,326)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(3,130)	-	(3,130)
Total other comprehensive income	$(160,661)	$2,241	$(158,420)

For the year ended 31 December 2022

	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	$17,246	$(3,449)	$13,797
Unrealized (losses) from equity instruments measured at fair value through other comprehensive income	(19,845)	-	(19,845)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	63,495	-	63,495
Total other comprehensive income	$60,896	$(3,449)	$57,447

24. Income tax

The major components of income tax expense (income) for the years ended 2023 and 2022 were as follows:

Income tax expense (income) recognized in profit or loss

	2023	2022
Current income tax expense:		
Current income tax charge	$212,959	$143,882
Adjustments in respect of current income tax of prior periods	(110)	3,472
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	18,487	17,647
Total income tax expense	$231,336	$165,001

Income tax recognized in other comprehensive income

	2023	2022
Deferred income tax expense (benefits):		
Determine the benefit plan and then measure the number	$(2,241)	$3,449
Income tax related to other comprehensive profit and loss components	$(2,241)	$3,449

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

	2023	2022
Accounting profit before tax from continuing operations	$945,206	$790,147
Tax amount calculated at the domestic tax rate applicable to income in relevant countries	$189,041	$158,029
Tax effect of revenues exempt from taxation	(26,136)	(23,540)
Tax effect of expenses not deductible for tax purposes	109	255
Tax effect of deferred tax assets/liabilities	50,430	14,582
Adjustments in respect of current income tax of prior periods	(110)	3,472
Undistributed retained earnings - levy	18,002	13,532
Other income tax effects adjusted in accordance with the Tax Act	-	(1,329)
Total income tax expense recognized in profit and loss	$231,336	$165,001

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

For the year ended 31 December 2023:

	Opening Balance	Recognized in profit and loss	Recognized in others Comprehensive profit and loss	Ending balance
Temporary difference				
Net defined benefit liabilities-non-current	$1,557	$(1,459)	$2,241	$2,339
Inter-affiliated company transactions	1,782	(1,629)	-	153
Unrealized exchange losses (gains), net	5,917	(5,601)	-	316
Unrealized impairment losses	11,907	(3,514)	-	8,393
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(136,916)	-	-	(136,916)
Other	16,055	(6,284)	-	9,771
Deferred income tax benefits (expense)		$(18,487)	$2,241	
Deferred income tax assets/(liabilities) net	$(113,081)			$(129,327)
The information expressed on the balance sheet is as follows:				
Deferred tax assets	$40,766			$25,980
Deferred income tax liabilities	$(153,847)			$(155,307)

For the year ended 31 December 2022:

	Opening Balance	Recognized in profit and loss	Recognized in others Comprehensive profit and loss	Ending balance
Temporary difference				
Net defined benefit liabilities-non-current	$5,461	$(455)	$(3,449)	$1,557
Inter-affiliated company transactions	1,997	(215)	-	1,782
Unrealized exchange losses (gains), net	(1,842)	7,759	-	5,917
Unrealized impairment losses	11,895	12	-	11,907
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(107,580)	(29,336)	-	(136,916)
Other	11,467	4,588	-	16,055
Deferred income tax benefits (expense)		$(17,647)	$(3,449)	
Deferred income tax assets/(liabilities) net	$(91,985)			$(113,081)
The information expressed on the balance sheet is as follows:				
Deferred tax assets	$30,820			$40,766
Deferred income tax liabilities	$(122,805)			$(153,847)

Unrecognized deferred income tax assets

As of 31 December 2023 and 2022, the total amount of unrecognized deferred income tax assets of the Company was NT$47,465 thousand and NT$93,291 thousand.

The assessment of income tax returns

As of 31 December 2023, the Company's income tax filings is as follows:

	The assessment of income tax returns
The Company	2021

25. Earnings per share

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

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

	2023	2022
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$713,870	$625,146
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,078	248,078
Basic earnings per share (NT$)	$2.88	$2.52
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$713,870	$625,146
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,078	248,078
Effect of dilution:		
Employee bonus - stock (in thousands)	1,134	1,060
Weighted average number of ordinary shares outstanding after dilution (in thousands)	249,212	249,138
Diluted earnings per share (NT$)	$2.86	$2.51

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

VII. RELATED PARTIES TRANSACTIONS

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Hsiyu Seawater Desalination Co., Ltd.	Associate
Kuo Yang Environment Technology Co., Ltd.	Associate
Kuo Hsin Technology Co., Ltd.	Associate
Jian-yi Construction Co., Ltd.	Associate
Marvel Line Co., Ltd.	Associate
Kuo Chuang Engineering Co., Ltd.	Associate
Xiamen Guoxin Century Technology Co., Ltd.	Associate (Note3)
Fujian Taiming Casting Pipes Technology Co., Ltd.	Associate (Note1)
Ding Teng Co., Ltd.	Associate
Hong Ya Man	Director of the Company
Ye Qin Zheng	President of the Company (Note2)
Du Guan zhen	Vice president of the Company

Note 1: On 5 May 2022, the Company lost its control over Fujian Taiming Casting Pipes Technology Co., Ltd. (hereinafter "Fujian Taiming Casting Pipes") because it did not participate in the capital increase of Fujian Taiming Casting Pipes. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, based on an objective factual assessment on 30 November 2022, the Company realized that it could not affect the operational decision-making of Fujian Taiming Casting Pipes through voting on a resolution, causing the Company to lose significant influence over Fujian Taiming Casting Pipes. Therefore, the Company ceased to recognize the investment as investment accounted for using equity method and reclassified it as the financial asset measured at fair value through other comprehensive income.

Note2: Stepped down from the position of the Company's president in 14 June 2021.

Note3: The Company's subsidiary, Marvel Line Co., Ltd.(hereinafter referred to as Marvel Line Company), on 29 August 2022, the Company held an extraordinary shareholders' meeting as a shareholder of its subsidiary, Xiamen Guoxin Century Technology Company Limited (hereinafter referred to as Xiamen Guoxin), and resolved to approve the re-election of all directors and supervisors, change the address of the Company and amend the articles of association of the Company, but the former management of Xiamen Guoxin did not recognize the resolution of the extraordinary shareholders' meeting on 29 August 2022 and refused to cooperate with the handover procedures. Therefore, the Company filed a lawsuit with the Haicang Court in Xiamen City, Fujian Province on 17 November 2022 against the former management of Xiamen Guoxin for the return of the relevant licenses of the Company. In order to ensure the legitimate interests of shareholders, the Company has appointed local lawyers to take legal action to resume normal management of Xiamen Guoxin and related asset preservation measures. As at the date of adoption of the consolidated financial statements, the case is still under trial and the outcome of the aforementioned litigation cannot be estimated yet.

In addition, as at 31 December 2023, the Company had lost control and significant influence over Xiamen Guoxin as a result of the above-mentioned events, which prevented the Company from influencing Xiamen Guoxin's operating decisions by participating in voting on motions, and therefore ceased to adopt the equity method of investment and transferred it to financial assets at fair value through other comprehensive income or loss.

Significant related party transactions

1. Sales

	2023	2022
Associates		
Kuo Chuang Engineering Co., Ltd.	$379,467	$255,084

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

2. Construction revenue

	2023	2022
Associates		
Kuo Yang Environment Technology Co., Ltd.	$235,009	$279,689

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

	Contract liabilities	
	For the years ended 31 December	
	2023	2022
Associates		
Kuo Yang Environment Technology Co., Ltd.	$522,058	$529,061
Jian-yi Construction Co., Ltd.	501,391	537,896
Total	$1,023,449	$1,066,957

3. Purchase

	2023	2022
Associates		
Kuo Chuang Engineering Co., Ltd.	$-	$2,104
Kuo Hsin Technology Co., Ltd.	-	3,064
Total	$-	$5,168

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

4. Amounts owed by related parties

	31 Dec. 2023	31 Dec. 2022
Associates		
Kuo Yang Environment Technology Co., Ltd.	$653,673	$726,240
Kuo Chuang Engineering Co., Ltd.	76,904	150,747
Total	$730,577	$876,987

5. Amounts owed to related parties

	31 Dec. 2023	31 Dec. 2022
Associates		
Others	$410	$255

6. Others

(1) Other receivables-related parties

	31 Dec. 2023	31 Dec. 2022
Associates		
Kuo Yang Environment Technology Co., Ltd.(Note)	$54,360	$30,012
Others	956	638
Total	$55,316	$30,650

(Note)The interest on accounts receivable from the company's subsidiary-Kuo Yang Environment Technology Co., Ltd. is calculated based on the interest rate of the long-term borrowing from financial institutions by Kuo Yang Environment Technology Co., Ltd. in 2023 and 2022. The interest income for the eight years was NT$22,848 thousand and NT$30,012 thousand, which are reported under other income.

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

Account Listed Items	Categories of Related Parties	31 Dec. 2023	31 Dec. 2022
Other payable – related parties	Associate	$11,062	$8,896
Other current liabilities	Associate	9,806	97,684

(3) As of 31 December 2023 and 2022, the subsidiary Kuo Hsin Technology Co., Ltd. provided real estate, plant and equipment for the company’s bank loans at NT$64,384 thousand and NT$69,692 thousand, respectively.

(4) As of 31 December 2023 and 2022, the Company 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.

7. Key management personnel compensation

	2023	2022
Short-term employee benefits	$72,800	$42,394
Post-employment benefits	1,109	875
Total	$73,909	$43,269

VIII. ASSETS PLEDGED AS COLLATERAL

The Company has the following Assets pledged as Collateral:

	Book Value		
Items	31 Dec. 2023	31 Dec. 2022	Purpose of pledge
Financial assets measured at amortized costs - current	$574,996	$373,726	Short-term loans, short-term notes payable, Penghu desalinated water contract performance guarantee, and construction performance guarantee
Financial assets measured at amortized costs – non-current	100,194	134,910	Long-term loans, CPC credit sale collateral
Property, plant and equipment	108,334	108,803	Long-term loans, Short-term loans
Investments accounted for under the equity method	474,853	473,450	Bond
Total	$1,258,377	$1,090,889	

IX. Significant contingencies and unrecognized contract

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

	31 Dec. 2023	31 Dec. 2022
Performance guarantee for purchase contract	$5,000	$4,070
Performance guarantee for sales contract	86,061	86,061
Performance guarantee for financing contracts	200,000	100,000
Total	$291,061	$190,131

2. The performance guarantee issued by the Bank due to the Company’s contracting projects is as follows:

	31 Dec. 2023	31 Dec. 2022
Guarantee of performance of the contracted work	$1,406,508	$822,927
Guarantee of performance in the contract of sale	5,000	5,000
Total	$1,411,508	$827,927

3. As at 31 December 2023 and 2022, the Company issued NT$251,575 thousand of common bonds for the first time in 2022, which were guaranteed by banks.

4. As at 31 December 2023, some of the Company's long-term and short-term loans were guaranteed by promissory notes issued under financing lines or drawdown lines, which were not included in the financial statements because of the nature of contingent liabilities.

5. As of 31 December 2023, the credit line of the Company’s issued but unused letter of credit amounted to NT$11,525 thousand.

6. Joint Venture Contracts:

		31 Dec. 2023		31 Dec. 2022	
Participants of the Joint Venture Contracts	Case	Contract Total Price	Contract Proportion	Contract Total Price	Contract Proportion
China Engineering Co., Ltd. and Liming Engineering Consulting Co., Ltd.	A	$-		$3,883,305	51.85%
Mountain Forestry and Water Environmental Engineering Co., Ltd And Chin Cheng Construction Co., Ltd.	B	3,110,476	65.00%	3,110,476	65.00%
Sheng Ho Construction Co., Ltd.	C	379,638	30.00%	379,638	30.00%
Kao Kun Construction Co., Ltd.	D	1,722,857	25.00%	1,722,857	25.00%
Sheng Ho Construction Co., Ltd.	E	1,266,667	20.00%	1,266,667	20.00%
Yu Lin Engineering Co., Ltd.	F	420,952	20.00%	420,952	20.00%
Jian-yi Construction Co., Ltd.	G	499,022	30.00%	499,022	30.00%
Yu Lin Engineering Co., Ltd.	H	854,000	20.00%	-	
Total		$8,253,612		$11,282,917	

7. Contingent Liabilities:

(1) The Company's contract for the "Construction of additional 4,000-ton desalination plant in Magong (Magong No. 2 Desalination Plant Phase I)," for which the proprietor determined that the deadline for performance of the contract was 12 December 2019, considered that the Company had been overdue for 405 days and calculated the overdue penalty based on the uncompleted percentage of 25.73%, and intended to impose an overdue penalty of NT$132,044 thousand on the Company. After evaluating the relevant documents and analyzing the legal opinions, the Company considered that the reasons for the delay of the project included the location change of the seawater intake station, the impact of the amendment of the regulations and the impact of Covid-19 that prevented the entry of foreign technicians, etc., which could not be attributed to the Company, and would negotiate with the proprietor to extend the deadline of the contract. In addition, the percentage of uncompleted works as at 12 December 2019 was determined by the proprietor to be 25.73%, while the actual percentage of uncompleted works according to the Company's construction records should be 3.78%. The Company negotiated with the proprietor to redetermine the percentage. The Company received a letter from the proprietor on 6 August 2021. Due to the amendment to the Labor Standards Act, the Company agreed to extend the construction period by 36 days; therefore, the deadline for the completion of the contract was 18 January 2020. The proprietor considered that the Company had been overdue for 368 days and should be fined NT$115,867 thousand for the violation and withheld the settlement of the accepted project amount (recorded as long-term receivables).

The Company claimed that the change in the location of the seawater intake station affected the construction period, and thus a 130-day construction period should be granted. Based on the 96.22% completion rate of the construction log on the date of the final performance deadline, the remaining work should be 3.78%, and the amount of late penalty should be calculated after calculating the daily late penalty.

As stated above, the Company assessed the possible overdue penalties from approximately NT$10,310 thousand to NT$29,813 thousand, and therefore the Company estimated the overdue penalties of NT$29,813 thousand in the account. The company appointed a lawyer to submit the application for mediation to the engineering association on 21 April 2022 to apply for mediation. After several mediation meetings, the Company received a mediation proposal from the Public Construction Commission, Executive Yuan on 26 October 2022, which was evaluated by the Company. The Company issued a letter of non-acceptance of the proposal. And a certificate of unsuccessful mediation was issued by the Public Construction Commission, Executive Yuan on 12 December 2022.

In addition, on 9 January 2023, the Company filed a civil action in the Taiwan Taichung District Court for the payment of contractual obligations, seeking the repayment of NT$223,731 thousand in total for the withheld settlement of the project by the proprietor and for the overdue payments during the construction period. The first and second oral arguments were proceeded in Taiwan Taichung District Court on 29 November 2023 and 22 January 2024, and the third oral argument was estimated to be proceeded in Taiwan Taichung District Court on 11 March 2024. As of the announcement date of the parent company only financial statements, the case was still pending in the Taichung District Court, and the outcome of the aforementioned action could not be estimated yet.

(2) On 2 August 2022, a former employee of the Company, Mr. Fu, filed a civil action in the Pingtung District Court in Taiwan to confirm the existence of the employment relationship, seeking compensation for the retirement benefits plus the expatriate allowance and damages of NT$15,410 thousand resulting from the arbitrary termination of the employment relationship between the Company and him.

The Company did not unlawfully terminate Fu's appointment as a manager in accordance with the Company Act. Fu served as the general manager of the overseas reinvestee company without the Company's consent and did not return to Taiwan at the Company's request; therefore, the Company terminated the employment relationship in accordance with the Labor Standards Act. On 2 November 2023, the fifth oral argument was proceeded in Taiwan Pingtung District Court. The Company has estimated that the pensions expected to be paid amounted to NT$5,734 thousand, which was recorded in the accounts as net defined benefit liabilities, non-current, and was deposited in Taiwan Kaohsiung District Court. Subsequently, the Company received a civil judgment from Taiwan Pingtung District Court on 30 November 2023, in favor of the Company. The Company filed a civil claim form for the final certificate to Taiwan Pingtung District Court on 9 January 2024, and received the final certificate on 29 January 2024. As of the issuance date of the parent company only financial statements, the case was closed after Mr. Fu withdrew the pension lodged at Taiwan Kaohsiung District Court.

X. Significant Disaster Losses

None.

XI. Significant subsequent events

None.

XII. Other

1. Categories of financial instruments

Financial Assets

	31 Dec. 2023	31 Dec. 2022
Financial assets at fair value through other comprehensive income	$527,472	$481,198
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	825,949	691,334
Financial assets measured at amortized cost	817,690	682,636
Notes receivables	7,785	10,349
Trade receivables (related parties included)	978,883	1,071,438
Other receivables (related parties included)	56,223	31,690
Construction refundable deposits	17,268	5,540
Refundable deposits	32,825	17,581
Long-term receivables	115,867	115,867
Subtotal	2,852,490	2,626,435
Total	$3,379,962	$3,107,633

Financial Liabilities

	31 Dec. 2023	31 Dec. 2022
Financial liabilities at amortized cost:		
Short-term loans and notes payable	$225,500	$280,000
Payments payable (related parties included)	887,455	630,916
Bond payable (current portion included)	249,802	249,624
Long-term borrowings (current portion included)	130,266	364,755
Lease liabilities(current and non-current)	11,115	-
Refundable deposits received(recognized as other current liabilities - others)	20,486	21,787
Total	$1,524,624	$1,547,082

2. Financial risk management objectives and policies

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

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

3. Market risk

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

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

Foreign currency risk

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

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

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

When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2023 and 2022 decreases/increases by NT$4 thousand and NT$4 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate risk of the Company mainly comes from floating rate investment, fixed rate and floating rate borrowing. The Company maintains an appropriate combination of fixed and floating interest rates, supplemented by interest rate exchange contracts to manage interest rate risk, however, because it does not meet the requirements of hedge accounting, hence hedge accounting is not applied.

Sensitivity analysis of interest rate risk mainly focuses on interest rate exposure items at the end of the financial reporting period, including floating rate investments, floating rate borrowings, and interest rate exchange contracts. It is assumed to be held for an accounting year when interest rates rise or fall by ten basis points, the profit and loss of the Company in 2023 and 2022 will decrease by NT$1,331 thousand and NT$729 thousand respectively.

Equity price risk

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

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

4. Credit risk management

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

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

As at 31 December 2023 and 2022, accounts receivables from top ten customers represented 98% and 98% of the total accounts receivables of the Company, the credit concentration risk of contract assets and other accounts receivables is insignificant.

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

5. Liquidity risk management

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

Non-derivative financial liabilities

	Less than 6 months	6-12 months	1-2 years	2-5 years	Total
31 Dec. 2023					
Loans	$192,853	$26,817	$40,018	$52,055	$311,743
Notes and accounts payable	646,244	35,108	-	5,379	686,731
Other payables	200,724	-	-	-	200,724
Bonds payable	1,575	-	251,575	-	253,150
Lease liabilities	2,852	2,092	3,098	3,510	11,552
Refundable deposits received	4,984	1,530	9,542	4,430	20,486

	Less than 6 months	6-12 months	1-2 years	2-5 years	Total
31 Dec. 2022					
Loans	$189,602	$211,708	$44,010	$219,347	$664,667
Notes and accounts payable	460,578	10,517	22,606	4,845	498,546
Other payables	132,370	-	-	-	132,370
Bonds payable	-	1,575	1,575	251,575	254,725
Refundable deposits received	3,799	4,963	2,827	10,198	21,787

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	Short-term Loans	Short-term notes payable	Long-term borrowings (current portion included)	Bonds payable	Lease liabilities	Total
1 Jan. 2023	$280,000	$-	$364,755	$249,624	$-	$894,379
Cash flows	(104,500)	50,000	(236,320)	-	(3,860)	(294,680)
Non-cash changes	-	-	1,831	178	14,975	16,984
31 Dec. 2023	$175,500	$50,000	$130,266	$249,802	$11,115	$616,683

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term Loans	Short-term notes payable	Long-term borrowings (current portion included)	Bonds payable	Lease liabilities	Total
1 Jan. 2022	$894,341	$9,958	$393,702	$249,951	$-	$1,547,952
Cash flows	(645,806)	(10,000)	(31,053)	(486)	-	(687,345)
Non-cash changes	1,245	42	2,106	159	-	3,552
Exchange difference	30,220	-	-	-	-	30,220
31 Dec. 2022	$280,000	$-	$364,755	$249,624	$-	$894,379

7. Fair values of financial instruments

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

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

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

(3) Fair value measurement hierarchy for financial instruments

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

8. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Unobservable inputs for the asset or liability

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

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

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

As at 31 December 2023

	Level 1	Level 2	Level 3	Total
Assets at fair value through other comprehensive income				
Financial assets at fair value through other comprehensive income	$-	$-	$527,472	$527,472

As at 31 December 2022

	Level 1	Level 2	Level 3	Total
Assets at fair value through other comprehensive income				
Financial assets at fair value through other comprehensive income	$-	$-	$481,198	$481,198

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Changes in Level 3 of the recurring fair value hierarchy

If the assets and liabilities measured by the recurring fair value of the Company belong to deemed at 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. 2023	$481,198
Total gains and losses recognized	
Amount recognized in OCI	46,274
31 Dec. 2023	$527,472

	Assets
	At fair value through other comprehensive income
	Stock
1 Jan. 2022	$95,025
Total gains and losses recognized	
Amount recognized in OCI	(19,845)
Reclassified (Note)	406,018
31 Dec. 2022	$481,198

(Note) On 5 May 2022, as the Company did not participate in the capital increase case of Fujian Taiming Casting Pipes, it lost its control over Fujian Taiming Casting Pipes. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, based on an objective factual assessment on 30 November 2022, the Company realized that it could not affect the operational decision-making of Fujian Taiming Casting Pipes through voting on a resolution, resulting in the loss of significant influence of the Company. Therefore, the Company stopped accounting for the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income.

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 2023

	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	26%~33%	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 company will decrease/increase by NT$10,648 thousand

31 December 2022

	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	28%~38%	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 company will decrease/increase by NT$16,974 thousand

Valuation process of Level 3 fair value measurement

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

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

31 December 2023

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for under the equity method	$-	$-	$2,428,906	$2,428,906

31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for under the equity method	$-	$-	$2,748,636	$2,748,636

9. Significant assets and liabilities denominated in foreign currencies

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

	31 Dec. 2023			31 Dec. 2022		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$13	30.655	$399	$13	30.660	$399
CNY	227	4.302	977	-	-	-
JPY	200,001	0.215	43,000	-	-	-

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

The Company has various functional currencies, no information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2023 and 2022, the foreign exchange gains or losses on monetary financial assets and financial liabilities were NT$(1,504) thousand and NT$(30,786) thousand, respectively.

10. Capital management

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

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 2023: Please refer to Attachment 1.
(2) Endorsement/Guarantee provided to others for the year ended 31 December 2023: Please refer to Attachment 2.
(3) Securities held as of 31 December 2023 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 3.
(4) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2023: 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 2023: 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 2023: None.
(7) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended 31 December 2023: Please refer to Attachment 4.
(8) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2023: Please refer to Attachment 5.
(9) Name of the Investee Company, location, etc. (Do not include investees in China): Please refer to Attachment 6.
(10) Financial instruments and derivative transactions: None.

2. Information in Mainland China:

(1) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.

(2) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: Please refer to Attachment 7.

3. Main Stockholders' Information:

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

XIV. SEGMENT INFORMATION

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

Attachment 1: Financing provided to others

No. (Note 1)	Lender	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 Guoxin Century Technology Co., Ltd.	Other receivables	Yes	$251,940 (CNY 57,000 thousand)	$245,214 (CNY 57,000 thousand)	$245,214 (CNY 57,000 thousand)	4.25%	2	$-	Need for operating	$(215,105)	-	$-	$92,996	$92,996	(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 operating: 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 equipments, need for operating, etc.

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

(Note 8) Xiamen Guoxin Century Technology Co., Ltd. is listed as an affiliated enterprise of the company (relevant explanations are detailed in Note VII (NOTE 3)). The disclosure of the transactions shall not be made until the day when the control is lost, and the transactions between related parties shall not be written off when the consolidated statement is compiled from the day when the control is lost.

(Note 9) The exchange rate of CNY to New Taiwan Dollars was 1:4.302 based on the Company’s announcement made at end of December 2023.

Attachment 2: Endorsement/Guarantee provided to others

No. (Note1)	Endorsor/ Guarantor	Receiving party: Company Name	Receiving party: Releationship	Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period (Note 9)	Ending balance (Note 10)	Actual amount provided (Note 11)	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
0	The Company	Kuo Yang Environment Technology Co., Ltd.	Kuo Toong Holding Corporation	$7,442,346 (Note 4)	$2,560,000	$2,450,000	$2,068,570	None	43.23%	$12,403,910 (Note 4)	Y	N	N	(Note 12)
0	The Company	Hsiyu Seawater Desalination Co., Ltd.	Kuo Toong Holding Corporation	7,442,346 (Note 4)	75,000	75,000	65,000	None	1.32%	12,403,910 (Note 4)	Y	N	N	(Note 12)
0	The Company	Kuo Chuang Engineering Co., Ltd.	Kuo Toong Holding Corporation	3,966,871 (Note 2)	192,000	92,000	68,000	None	1.62%	5,383,611 (Note 3)	Y	N	N	(Note 12)
1	Kuo Hsin Technology Co., Ltd.	The Company	Parent Company of Kuo Hsin	215,000 (Note 5)	110,000	110,000	-	64,384	161.06%	430,000 (Note 6)	N	Y	N	(Note 12)
2	Ding Teng Co., Ltd.	Kuo Yang Environment Technology Co., Ltd.	Ding Teng Holding Corporation	5,468,430 (Note 7)	2,450,000	2,450,000	2,068,570	None	71,43%	9,114,050 (Note 8)	Y	N	N	(Note 12)

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

(1) The Company is coded "0".

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

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

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

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

(Note 5) Shall not exceed 50% of pad capital of the Endorsor/Guarantor.

(Note 6) Shall not exceed 100% of pad capital of the Endorsor/Guarantor.

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

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

(Note 9) The balance of which is at its maximum balance of endorsement/guarantee provided to others in the current year.

(Note 10) The guarantee quota/amount the Company and its subsidiaries are approved by the board of directors to endorse for others.

(Note 11) The actual amount drawn by the endorsed guarantee company within the limit of the endorsed guarantee balance.

(Note 12) The above transactions were all made between consolidated entities in the Company and have been reversed.

Attachment 3: Securities held as of 31 December 2023. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities (Note)	Relationship	Financial statement account	As of 31 December 2023				Note
				Shares (thousand)	Book value (thousands)	Percentage of ownership (%)	Fair value	
The Company	Unisted stock- Harbin Kuo Toong Pipeline Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	10,000,000	$75,728	25.00%	$75,728	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- Jhihben 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- Fujian Taiming Casting Pipes Technology Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	132,250,705	451,744	22.68%	451,744	Not pledged
			Subtotal		527,472		527,472	
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
Marvel Line Co., Ltd.	Unisted (counter) stock- Xiamen Guoxin Century Technology Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	91,000,000	109,615	91.00%	109,615	Not pledged
			Subtotal		$637,087		$637,087	

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

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT$100 million or 20 percent of the capital stock as of 31 December 2023

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	$237,448	7.36%	-	-	In accordance with the project contract, the payment will be received after the payment is assessed phase by phase	Accounts receivable $653,673	66.25%	(Note)
Kuo Yang Environment Technology Co., Ltd.	The Company	Ultimate parent company of Kuo Yang	Construction costs	237,448	47.24%	-	-	Payment according to project contract assessment progress	Accounts payable 653,673	99.76%	(Note)
The Company	Kuo Chuang Engineering Co., Ltd.	Subsidiary	Sales Revenue	379,467	11.77%	-	-	Pay monthly according to the sale contract	Accounts receivable 76,904	7.79%	(Note)
Kuo Chuang Engineering Co., Ltd.	The Company	Ultimate parent company of Kuo Chuang	Purchase	379,467	99.06%	-	-	Paid in installments according to the procurement contract	Accounts payable 76,904	68.82%	(Note)

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

Attachment 5: Receivabeles from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2023

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 $653,673 Other receivables – interests receivable $54,360	34.41%	$-	-	$512	$-	(Note 1)
Marvel Line Co., Ltd.	Xiamen Guoxin Century Technology Co., Ltd.	Subsidiary of Marvel Line Co., Ltd.	Long-term receivables -financial accommodation $245,214 Long-term receivables – interests receivable $91,615	-	-	-	-	(215,105)	(Note 2)

(Note 1) The above transactions were all made between consolidated entities in the Company and have been reversed.

(Note 2) Xiamen Guoxin Century Technology Co., Ltd., is included in the Company's affiliated companies (Note VII (NOTE 3)). The transactions are disclosed until the date of loss of control, and the transactions between related parties since the date of loss of control are not eliminated in the preparation of the consolidated financial statements.

Attachment 6: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2023, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2023: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2023			Net income (loss) of investee company	Investment income (loss) recognized (Note 2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note 1)			
The Company	Kuo Toong International LLC.	Delaware, USA	Engaged in reinvestment holding activities	$23,625	$23,625	680,000	100.00%	$230,816	$(227,390)	$(227,390)	(Note 4)
	Hsiyu Seawater Desalination Co., Ltd.	Zuoying district, Kaohsiung	Tap water management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	117,000	117,000	11,700,000	100.00%	46,926	1,402	1,402	(Note 4)
	Jie Mao International Co., Ltd.	Zuoying district, Kaohsiung	Building materials wholesale, building materials retail, international trade and machinery wholesale, etc.	109,000	109,000	10,900,100	100.00%	88,549	20,742	20,742	(Note 4)
	Kuo Hsin Technology Co., Ltd. (Note 3)	Zuoying district, Kaohsiung	Chemical material manufacturing and water supply management	316,500	316,500	31,650,000	73.60%	50,266	(3,233)	(2,380)	(Note 4)
	Jian-yi Construction Co., Ltd.	Zuoying district, Kaohsiung	Construction, dredging, sandstone and silt sea dumping, wholesale of building materials, housing and building development and rental etc.	274,235	274,235	27,000,000	100.00%	282,848	11,412	7,813	(Note 4)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2023			Net income (loss) of investee company	Investment income (loss) recognized (Note 2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note 1)			
The Company	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	$5,319	$5,319	$183,488	0.76%	$1,767	$(229,130)	$(1,741)	(Note 4)
	Ding Teng 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	92,053,130	50.50%	1,727,734	203,497	103,102	(Note 4)
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%	89,221	20,786	20,786	(Note 4)
Kuo Toong International LLC.	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	731,352	731,352	23,897,211	99.24%	230,723	(229,130)	(227,389)	(Note 4)
Ding Teng 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	263,700,651	100.00%	3,426,448	204,216	204,216	(Note 4)

(Note 1) The book value of the investment using the equity method is the net amount after deducting the unrealized gains and losses of downstream transactions.

(Note 2) The investment income recognized for this period had eliminated unrealized gain or loss on the transactions between the Company and its investees.

(Note 3) On 20 May 2022, the board of directors resolved to suspend operations and on 29 July 2022, the Kaohsiung Internal Revenue Service, Ministry of Finance approved the application for suspension of operations from 1 August 2022 to 31 July 2023, and the cessation of business was approved on 5 July 2023 to be extended to 31 July 2024, and the application for re-commencement was approved by the National Taxation Bureau of Kaohsiung, Ministry of Finance on 16 November 2023.

(Note 4) The above transactions were all made between consolidated entities in the Company and have been reversed.

Attachment 7: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of 1 January 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2023	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2023	Accumulated Inward Remittance of Earnings as of 31 December 2023	Note
					Outflow	Inflow							
Xiamen Guoxin Century Technology Co., Ltd.	Design, research, manufacturing, etc. of equipment and materials for seawater desalination and sewage treatment projects	$430,200 (CNY 100,000 thousand)	(1) Marvel Line Co., Ltd.	$445,080 (USD 14,519 thousand)	$-	$-	$445,080 (USD 14,519 thousand)	$-	91.00%	$-	$-	-	(Note 2)
Fujian Taiming Casting Pipes Technology Co., Ltd.	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipes, various pipe fittings, fittings and precision casting products manufacturing	2,508,531 (CNY 583,108 thousand)	(1)、(2) Xiamen Guoxin Century Technology Co., Ltd. (Note 3)	729,988 (USD 23,813 thousand)	-	-	729,988 (USD 23,813)	-	28.63%	-	-	-	(Note 2)

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 5)
$1,355,227 (USD44,209 thousand) (Note 4)	$1,355,227 (USD44,209 thousand) (Note 4)	$4,429,654

(Note 1) 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

(Note 2) It was reclassified as financial assets measured at fair value through other comprehensive income for the year ended 31 December 2022.

(Note 3) Accumulated investment outflow of the Company from Taiwan is USD 23,813 thousand (converted to NTD729,988 thousand)；the accumulated indirect investment in Mainland China (Xiamen Guoxin Century Technology Co., Ltd.) from the Company is CNY40,000 thousand(converted to NTD172,080 thousand).

(Note 4) The amount of reinvestment in the mainland area includes Xinqiang Guotong Pipeline Co., Ltd., Harbin Guotong Pipeline Co., Ltd. and Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.

(Note 5) 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.

(Note 6) The exchange rate of USD to New Taiwan dollars was 1: 30.655 based on the Company's announcement made at end of December 2023. The exchange rate of CNY to New Taiwan dollars was 1: 4.302 based on the Company's announcement made at end of December 2023.

KUO TOONG INTERNATIONAL CO., LTD.

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KUO TOONG INTERNATIONAL CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

31 December 2023

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

Item	Description		Total	Note
Cash			$541	1.The exchange rate
Petty cash			1,420	of the USD to
Subtotal			1,961	the NTD is 1:30.655.
				2.The exchange rate
Investments in bonds with resale agreements			5,025	of the CNY to the
Bank Check Deposits			637	NTD is 1:4.302.
Bank Deposits-NT Dollars			776,110	3.The exchange rate
Bank Deposits-Foreign currency	USD	7,576.66	232	of the EUR to the
	CNY	216,087.96	930	NTD is 1:33.78.
	EUR	433.38	15	4.The exchange rate
	JPY	200,000,772.00	43,000	of the JPY to the
Subtotal			825,949	NTD is 1:0.215.
Total			$827,910	

KUO TOONG INTERNATIONAL CO., LTD.

2.STATEMENT OF ACCOUNTS RECEIVABLE

31 December 2023

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

Client	Description	Amount	Note
Client A		$114,183	The amount of individual client in others does not exceed 5% of the account balance.
Client B		52,740	
Client C		36,938	
Client D		20,044	
Others		24,447	
Subtotal		248,352	
Less:Allowance for doubtful debts		(46)	
Net amount		$248,306	

KUO TOONG INTERNATIONAL CO., LTD.

3.STATEMENT OF INVENTORIES

31 December 2023

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

Item	Description	Amount		Note
		Cost	Market Price	
Raw materials		$29,358	$27,363	The market price is the net realizable value.
Work in progress		125,981	122,151	
Finished goods		156,819	153,253	
Merchandise		3,238	3,238	
Subtotal		315,396	$306,005	
Less:Allowance for inventory valuation losses		(9,391)		
Net amount		$306,005		

KUO TOONG INTERNATIONAL CO., LTD.

4.STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED

FOR UNDER THE EQUITY METHOD

31 December 2023

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

Investee Company	Beginning Balance		Additions				Decrease				Ending Balance		Fair value/Net assets value		Accrual basis	Collateral	Note
	Shares(In thousands)	Amount	Shares(In thousands)		Amount		Shares(In thousands)		Amount		Shares(In thousands)	Amount	Unit price (NTD)	Total Amount	%		
Kuo Toong International LLC.	680	$652,448	-		$-		-		$(227,390)	(Note1)	680	$230,816	339.44	$230,816	100%	None	
									(3,106)	(Note2)							
									(191,136)	(Note8)							
Hsiyu Seawater Desalination Co., Ltd.	11,700	45,524	-		1,402	(Note1)	-		-		11,700	46,926	4.01	46,926	100%	None	
Jie Mao International Co., Ltd.	10,900	59,661	-		20,742	(Note1)	-		(765)	(Note 3)	10,900	88,549	8.12	88,549	100%	None	
					8,911	(Note4)											
Jian-yi Construction Co., Ltd.	27,000	283,478	-		7,813	(Note1)	-		(8,443)	(Note 7)	27,000	282,848	10.48	282,848	100%	None	
Kuo Hsin Technology Co., Ltd.	31,650	52,646	-		-		-		(2,380)	(Note 1)	31,650	50,266	1.17	36,996	73.60%	None	
Ding Teng Co., Ltd.	88,166	1,649,883	3,887	(Note6)	103,102	(Note1)	-		(25,251)	(Note 7)	92,053	1,727,734	9.48	872,506	50.50%	(Note5)	
Marvel Line Co., Ltd.	183	4,996	-		-		-		(1,741)	(Note1)	183	1,767	0.07	13	0.76%	None	
									(1,464)	(Note8)							
									(24)	(Note2)							
Total		$2,748,636			$141,970				$(461,700)			$2,428,906					

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

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

(Note 3) Downstream transactions are written off.

(Note 4) The unrealized sales benefit of the current period.

(Note 5) 25,300 thousand shares are mortgaged for bank loans and corporate bond guarantee.

(Note 6) Increase in investment.

(Note 7) Dividend distribution.

(Note 8) The unrealized evaluation (loss) of the subsidiary's financial assets measured at fair value through other comprehensive income is recognized based on the shareholding.

KUO TOONG INTERNATIONAL CO., LTD.

5.STATEMENT OF NOTES PAYABLE

31 December 2023

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

Client	Description	Amount	Note
Client A		$21,483	The amount of individual client in others does not exceed 5% of the account balance.
Client B		9,702	
Client C		9,057	
Client D		7,128	
Client E		7,121	
Client F		6,988	
Others		81,924	
Total		$143,403	

KUO TOONG INTERNATIONAL CO., LTD.

6.STATEMENT OFACCOUNTS PAYABLE

31 December 2023

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

Client	Description	Amount	Note
Client A		$145,714	The amount of individual client
Client B		57,002	in others does not exceed 5%
Client C		31,105	of the account balance.
Client D		25,326	
Others		283,771	
Total		$542,918	

KUO TOONG INTERNATIONAL CO., LTD.

7.STATEMENT OF OPERATING REVENUES

For the year ended 31 December 2023

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

Item	Amount		Amount	Note
Construction revenue			$2,179,433	
Operating revenue				
Steel pipe	1,145.80	M	67,302	
Steel pipe parts	1	Set	85,607	
Ductile cast iron pipe	1,192	Cubic Meter	672,377	
Ductile cast iron pipe pats	1	Set	23,230	
Others			83,755	
Subtotal			932,271	
Labor revenue			112,598	
Total			$3,224,302	

KUO TOONG INTERNATIONAL CO., LTD.
8. STATEMENT OF OPERATING COSTS
For the year ended 31 December 2023
(Expressed In Thousands of New Taiwan Dollars, Unless Specified Otherwise Stated)

Item	Amount	Note
Cost of Goods Sold of Self-made Product		
Direct material：Beginning of year	$47,101	
Add：Raw material purchased	523,608	
Transferred from conversion	11,156	
Transferred from other	2,529	
Less：Raw material, end of year	(29,358)	
Sold raw materials	(7,791)	
Transferred to conversion	(175,983)	
Transferred to expense	(7,175)	
Transferred to construction work-in-process	(11,033)	
Supplies and parts used	353,054	
Direct labor	87,338	
Factory overheads	330,947	
Manufacturing cost	771,339	
Work in process, beginning of year	148,114	
Add：Raw material purchased	40,955	
Transferred from material	175,983	
Transferred from Finished goods	102,415	
Transferred from other	26,738	
Less：Work in process, end of year	(125,981)	
Sold work in process	(201)	
Transferred to material	(11,156)	
Transferred to prepayments for equipment	(824)	
Transferred to construction work-in-process	(5,973)	
Transferred to expense	(4,571)	
Transferred to property, plant and equipment	(3,605)	
Cost of finished goods	1,113,233	
Finished goods, beginning of year	88,551	
Add：Finished goods purchased	2,754	
Less：Finished goods, end of year	(156,819)	
Transferred to prepayments for equipment	(453)	
Transferred to work in process	(102,415)	
Transferred to construction work-in-process	(354,453)	
Transferred to expense	(12,613)	
Transferred to others	(3,167)	
Cost of Goods Sold of Self-made Product	574,618	
Cost of Goods sold of Merchandise		
Merchandise: Beginning of year	-	
Add: Merchandise purchased	125,985	
Less: Merchandise, end of year	(3,238)	
Sold merchandise	(1,013)	
Transferred to construction work-in-process	(115,935)	
Transferred to others	(5,799)	
Cost of Goods sold of Merchandise	-	
Invoicing cost	574,618	
Cost of raw materials sold	9,005	
Revenue from sale of scraps	(96)	
Loss on inventory impairment	(23,616)	
Others	44,504	
Construction costs	1,402,364	
Total operating costs	$2,006,779	

KUO TOONG INTERNATIONAL CO., LTD.

9. STATEMENT OF OPERATING EXPENSES

For the year ended 31 December 2023

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

Item	Marketing expenses	Management expenses	Research and development expenses	Total	Note
Salary expenses	$1,170	$122,304	$13,154	$136,628	The amount of individual client
Advertising expense	149	265	-	414	in other does not exceed 5%
Insurance fee	127	3,233	1,340	4,700	of the account balance.
Communication fee	246	852	37	1,135	
Labor fee	2	12,317	4,224	16,543	
Depreciation	-	1,269	7,225	8,494	
Other expenses	653	24,629	4,373	29,655	
Total	$2,347	$164,869	$30,353	$197,569	